

# ALLEN COUNTY SCHOOL DISTRICT

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# ALLEN COUNTY SCHOOL DISTRICT

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## INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education  
Allen County School District  
Scottsville, 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 Allen County Board of Education, Kentucky, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Allen County School District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *the Independent Auditor's Contract - General Audit Requirements, Appendix II of the Independent Auditor's Contract*. 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 Allen County Board of Education, Kentucky, as of June 30, 2015, 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.

## **Emphasis of a Matter**

As discussed in Note T to the financial statements, the District adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, GASB Statement No. 69, Government Combinations and Disposals of Government Operations, GASB Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees and GASB No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United State of America require that the management's discussion and analysis, budgetary comparison information, and CERS schedules on pages 3 through 8 and 40 through 42 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 Allen County Board of Education's basic financial statements.

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

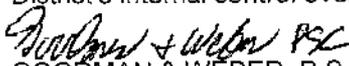
The statements of changes in assets and liabilities – school activity funds are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

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

In accordance with Government Auditing Standards, we have also issued a report dated December 1, 2015, on our consideration of Allen 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 the 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 Allen County School District's internal control over financial reporting and compliance.

  
GOODMAN & WEBER, P.S.C.  
Certified Public Accountants  
Louisville, Kentucky  
December 1, 2015

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**ALLEN COUNTY SCHOOL DISTRICT – SCOTTSVILLE KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2015**

As management of the Allen County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

**FINANCIAL HIGHLIGHTS**

- The district maintains 7 schools and education centers, serving approximately 3,000 students. An effort to centralize our schools has provided educational benefits in addition to good physical management. We have a campus of approximately 200 acres of which there is still land available for future construction to meet our long-range educational needs. Allen County is very proud of our facilities and our ability to maintain them; nevertheless, our main purpose is educating kids and providing quality instructional resources and staff which we are able to do with our general fund dollars.
- The beginning fund balance for the District was \$10.9 Million.
- The District continues to be concerned about the drain on the General Fund. Concerted efforts were made to curb the declining balance by continuing to provide additional monies into the general fund from local tax revenues.
- The Superintendent and Finance department working in conjunction with other district leadership continues the refinement of the structure of the business and operations areas, while evaluating processes and allocation of resources.
- The Superintendent and Finance department worked with staff to review and implement sound fiscal practices in utilizing school funding.
- A concerted effort was focused on purchasing in the areas of supplies, food, and travel resulting in several economies due to changed management strategies. The District utilizes multi-district cooperative bidding through the Green River Regional Educational Cooperative, Kentucky Educational Development Corporation, as well as, taking advantage of state and federal bidding opportunities for purchasing of supplies and food.
- Local Revenue is divided 65%/35% between the general fund and the building fund respectively. We have no occupational, utility or excise taxes.
- Excluding inter-fund transfers, the General Fund had \$21.3 million revenue, which primarily consisted of the state program SEEK (Support Educational Excellence in Kentucky), and local property and motor vehicle taxes. There was \$21.9 million in General Fund expenditures.
- The District continues to evaluate policies & procedures dealing with fixed assets and GASB reporting to ensure correct inventories, values, and depreciation to correctly report on the Annual Financial Report.
- Allen County-Scottsville High School renovations are 99% complete. Also, work continues on the new Allen County Career & Technical Center and anticipated completion for this new construction project is December, 2015.
- Because the state has allowed flexible use of Capital Outlay Funds, previously limited to debt service reduction, the District was able to complete several projects that the General Fund could not handle financially. Projects included: payment of property, liability, fleet, worker's compensation insurances and various maintenance projects within the district.

**ALLEN COUNTY SCHOOL DISTRICT – SCOTTSVILLE KENTUCKY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**YEAR ENDED JUNE 30, 2015**

**OVERVIEW OF FINANCIAL STATEMENTS**

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

**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.

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

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

The basic governmental fund financial statements can be found on pages 11 through 18 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-39 of this report.

**ALLEN COUNTY SCHOOL DISTRICT – SCOTTSVILLE KENTUCKY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A) CONTINUED**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets exceeded liabilities by \$26.9 million as of June 30, 2015.

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

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

**NET POSITION**

A summary of the net position for 2015 and 2014 are as follows:

	2015			2014		
	Governmental Activities	Business Type Activities	Total	Governmental Activities	Business Type Activities	Total
Current Assets	\$ 6,885,810	\$ 618,212	\$ 7,504,022	\$ 11,238,633	\$ 598,410	\$ 11,837,043
Noncurrent Assets	<u>63,140,555</u>	<u>373,654</u>	<u>63,514,209</u>	<u>55,952,740</u>	<u>394,163</u>	<u>56,346,903</u>
Total Assets	\$ 70,026,365	\$ 991,866	\$ 71,018,231	\$ 67,191,373	\$ 992,573	\$ 68,183,946
Deferred Outflows of Resources	\$ 398,058	\$ 100,504	\$ 498,562	\$ -	\$ -	\$ -
Current Liabilities	\$ 3,588,642	\$ 118	\$ 3,548,641	\$ 3,652,175	\$ -	\$ 3,652,175
Noncurrent Liabilities	<u>39,373,242</u>	<u>1,058,539</u>	<u>40,037,019</u>	<u>36,271,067</u>	-	<u>36,271,067</u>
Total Liabilities	\$ 42,961,884	\$ 1,058,657	\$ 43,625,779	\$ 39,923,242	\$ -	\$ 39,923,242
Deferred Inflows of Resources	\$ 467,869	\$ 118,131	\$ 586,000	\$ -	\$ -	\$ -
Net position						
Invested in Capital Assets, Net of Related Debt	\$ 27,222,331	\$ 373,654	\$ 27,595,985	\$ 17,229,893	\$ 394,163	\$ 17,624,056
Restricted	4,011,450	-	4,011,450	9,207,336	-	9,207,336
Committed	-	-	-	-	-	-
Unrestricted Fund Balance	<u>(4,239,111)</u>	<u>(458,072)</u>	<u>(4,697,183)</u>	<u>830,902</u>	<u>598,410</u>	<u>1,429,312</u>
Total Net position	<u>\$ 26,994,670</u>	<u>\$ (84,418)</u>	<u>\$ 26,910,252</u>	<u>\$ 27,268,131</u>	<u>\$ 992,573</u>	<u>\$ 28,260,704</u>

**ALLEN COUNTY SCHOOL DISTRICT – SCOTTSDALE KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) CONTINUED**

**NET POSITION CONTINUED**

**Comments on Budget Comparisons**

- The District's total revenues for the fiscal year ended June 30, 2015, net of interfund transfers, were \$33.1 million.
- General fund revenue was \$21.3 million or \$1.5 million higher, due to higher state support
- The total cost of all programs and services for the General Fund was \$21.9 million or \$1.8 million lower than budget.

The following table presents a summary of revenue and expense for the fiscal year ended June 30, 2015 and June 30, 2014.

	2015			2014		
	Government Activities	Business Type Activities	Total	Government Activities	Business Type Activities	Total
<b>Program Revenues:</b>						
Charges for services	\$ 5,985	315,735	\$ 321,720	\$ 36,845	471,232	\$ 508,077
Operating grants	3,479,451	1,733,796	5,213,247	3,306,548	1,426,920	4,733,468
Capital grants	1,166,365	-	1,166,365	1,293,296	-	1,293,296
<b>General Revenues:</b>						
Taxes	5,316,674	-	5,316,674	5,343,830	-	5,343,830
State aid formula grant	20,552,811	-	20,552,811	16,940,642	-	16,940,642
Investment earnings	32,981	3,252	36,233	44,820	3,392	48,212
Local revenues	-	-	-	-	-	-
Miscellaneous	531,488	-	531,488	55,167	-	55,167
<b>Total Program Revenues</b>	<b>\$31,085,755</b>	<b>\$2,052,783</b>	<b>\$33,138,538</b>	<b>\$27,021,148</b>	<b>\$1,901,544</b>	<b>\$28,922,692</b>
Transfers	95,344	(95,344)	-	70,961	(70,961)	-
<b>Total Revenues</b>	<b>\$31,181,099</b>	<b>\$1,957,439</b>	<b>\$33,138,538</b>	<b>\$27,092,109</b>	<b>\$1,830,583</b>	<b>\$28,922,692</b>
<b>Program Expenses:</b>						
Instruction	\$ 15,865,209	-	\$ 15,865,209	\$ 16,130,836	-	\$ 16,130,836
Student support	988,554	-	988,554	986,393	-	986,393
Instruction staff	1,006,736	-	1,006,736	976,798	-	976,798
District administration	730,764	-	730,764	754,769	-	754,769
School administration	1,426,897	-	1,426,897	1,395,557	-	1,395,557
Business support	637,910	-	637,910	640,251	-	640,251
Plant operations	2,390,632	-	2,390,632	2,335,184	-	2,335,184
Student transportation	2,203,443	-	2,203,443	1,767,639	-	1,767,639
Community Support	297,826	-	297,826	273,722	-	273,722
Interest on long-term debt	1,578,903	-	1,578,903	1,650,120	-	1,650,120
Food service	2,687	1,913,266	1,915,953	-	1,814,507	1,814,507
<b>Total Expenses</b>	<b>\$ 27,129,561</b>	<b>\$1,913,266</b>	<b>\$ 29,042,827</b>	<b>\$ 26,911,269</b>	<b>\$1,814,507</b>	<b>\$ 28,725,776</b>
<b>Net (Decrease)/Increase in Net position</b>	<b>\$ 4,051,538</b>	<b>\$ 44,173</b>	<b>\$ 4,095,711</b>	<b>\$ 180,840</b>	<b>\$ 16,076</b>	<b>\$ 196,916</b>

**ALLEN COUNTY SCHOOL DISTRICT – SCOTTSVILLE KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) CONTINUED**

**Governmental Activities**

Instruction comprises 58% of governmental program expenses in 2015 and 60 % in 2014. Support services expenses make up 35% of government expenses in 2015 and 34% in 2014. The remaining expense for interest accounts for 7% of total government expense in 2015 and 6% in 2014.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

	<u>2015 Governmental Activities</u>		<u>2014 Governmental Activities</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction	\$ 15,865,209	\$ 13,009,768	\$ 16,130,836	\$ 13,276,620
Support	9,685,449	9,055,454	9,130,313	8,641,136
Interest on long-term debt	<u>1,578,903</u>	<u>412,538</u>	<u>1,650,120</u>	<u>356,824</u>
Total Expenses	<u>\$ 27,129,561</u>	<u>\$ 22,477,760</u>	<u>\$ 26,911,269</u>	<u>\$ 22,274,580</u>

**Business-Type Activities**

The business-type activities include the food service operation. This program had total revenues of \$2,052,783 and expenses of \$1,913,266 for fiscal year 2014. Of the revenues, \$315,735 was charges for services, \$1,733,796 was from State and Federal grants, and \$3,252 was from investment earnings. Business activities receive no support from local tax revenues.

**Capital Assets**

At the end of fiscal year 2015 the School District had \$63,1 million invested in land, buildings, equipment, and construction in progress. The following table shows fiscal year 2015 and 2014 balances:

Capital Assets at June 30, 2015 and 2014  
(Net of Depreciation)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 1,001,750	\$ 1,001,750	\$ -	\$ -	\$ 1,001,750	\$ 1,001,750
Land Improvements	2,599,568	2,797,106	6,540	7,025	2,606,108	2,804,131
Building & Improvements	26,394,499	27,273,446	249,383	255,138	26,643,882	27,528,584
Technology	340,543	299,270	1,752	3,504	342,295	302,774
Vehicles	498,256	354,677	-	-	498,256	354,677
Equipment	168,424	142,549	115,979	128,495	284,403	271,044
Construction in Progress	<u>32,137,515</u>	<u>24,083,942</u>	<u>-</u>	<u>-</u>	<u>32,137,515</u>	<u>24,083,942</u>
Total Governmental Activities	<u>\$ 63,140,555</u>	<u>\$ 55,952,740</u>	<u>\$ 373,654</u>	<u>\$ 394,162</u>	<u>\$ 63,514,209</u>	<u>\$ 56,346,902</u>

The table below shows the changes in capital assets for the fiscal years 2015 and 2014.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Beginning Balance	\$ 55,952,740	\$ 51,847,857	\$ 394,162	\$ 441,089	\$ 56,346,902	\$ 52,288,946
Additions	8,500,271	5,451,665	23,829	-	8,524,100	5,451,665
Retirements	-	-	-	-	-	-
Depreciation	<u>(1,312,456)</u>	<u>(1,346,782)</u>	<u>(44,337)</u>	<u>(46,927)</u>	<u>(1,356,793)</u>	<u>(1,393,709)</u>
Ending Balance	<u>\$ 63,140,555</u>	<u>\$ 55,952,740</u>	<u>\$ 373,654</u>	<u>\$ 394,162</u>	<u>\$ 63,514,209</u>	<u>\$ 56,346,902</u>

**ALLEN COUNTY SCHOOL DISTRICT – SCOTTSVILLE KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2015**

BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1 – June 30; other programs, i.e. some federal programs operate on a different fiscal calendar, but are reflected in the District's overall budget. By law the budget must have a minimum 2% contingency. The District adopted a budget with \$1,492,810 in contingency (6.2%).

The beginning General Fund cash balance for 2015 fiscal year was \$1.8 million. There was a 1% pay increase given to all full-time employees for 2014-2015. The district currently participates in approximately 27 state and federal grants. The total budget for these grants is \$3.2 million.

KTRS rates will be increasing for 2015-16 from 15.355% to 16.105% on the employer federal matching portion; while the KTRS non-federally funded employees rate will increase from 2.25% to 3.0%. Classified retirement rate will decrease in 2015-16 from 17.67% to 17.06%.

Applying for grant reimbursements and monitoring the grants is something the district must do constantly. While waiting for grants to be reimbursed, the district must maintain a significant cash balance in order to pay these expenses in advance.

Local property tax revenue makes up approximately 17% of the general fund revenue. Property taxes are levied annually usually in October on the assessed value for all real and personal property, as well as motor vehicles in the district as of January 1<sup>st</sup> of the prior year. However, this revenue is not received until the months of November – February which means that the general fund's beginning balance is used to pay much of the first few months of expenditures. It is very important to have a substantial beginning balance to start the beginning of each year.

Questions regarding this report should be directed by mail to: Superintendent Randall Jackson, Allen County Schools, 570 Oliver Street, Scottsville, KY 42164.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

ALLEN COUNTY SCHOOL DISTRICT  
STATEMENT OF NET POSITION

June 30, 2015

ASSETS	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 3,572,687	\$ 579,372	\$ 4,152,059
Cash - Restricted	2,964,636	-	2,964,636
Inventory	-	22,722	22,722
Receivables			
Taxes - Current	65,057	-	65,057
Intergovernmental - Federal	283,430	16,118	299,548
<b>TOTAL CURRENT ASSETS</b>	<b>\$ 6,885,810</b>	<b>\$ 618,212</b>	<b>\$ 7,504,022</b>
<b>NONCURRENT ASSETS</b>			
Capital Assets( Net of Depreciation)	\$ 63,140,555	\$ 373,654	\$ 63,514,209
<b>TOTAL NONCURRENT ASSETS</b>	<b>\$ 63,140,555</b>	<b>\$ 373,654</b>	<b>\$ 63,514,209</b>
<b>TOTAL ASSETS</b>	<b>\$ 70,026,365</b>	<b>\$ 991,866</b>	<b>\$ 71,018,231</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 398,058</b>	<b>\$ 100,504</b>	<b>\$ 498,562</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	\$ 65,237	\$ 118	\$ 65,355
Unearned Revenue	370,663	-	370,663
Current Portion of Bond Obligations	1,465,000	-	1,465,000
Current Portion of Accrued Sick Leave	22,550	-	22,550
Current Portion of Capital Lease Payable	40,119	-	40,119
Retainage Payable	202,853	-	202,853
Bond Interest Payable	1,422,220	-	1,422,220
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$ 3,588,642</b>	<b>\$ 118</b>	<b>\$ 3,588,760</b>
<b>NONCURRENT LIABILITIES</b>			
Noncurrent Portion of Bond Obligations	\$ 34,510,000	\$ -	\$ 34,510,000
Less: Deferred Amount on Refunding	(56,776)	-	(56,776)
Noncurrent Portion of Accrued Sick Leave	394,762	-	394,762
Capital Lease Payable	332,795	-	332,795
Net Unfunded Pension Liability	4,192,461	1,058,539	5,251,000
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>\$ 39,373,242</b>	<b>\$ 1,058,539</b>	<b>\$ 40,431,781</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 42,961,884</b>	<b>\$ 1,058,657</b>	<b>\$ 44,020,541</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>\$ 467,869</b>	<b>\$ 118,131</b>	<b>\$ 586,000</b>
<b>NET POSITION</b>			
Invested in Capital Assets, Net of Related Debt	\$ 27,222,331	\$ 373,654	\$ 27,595,985
Restricted			
Construction	1,028,391	-	1,028,391
SFCC	18,423	-	18,423
QCSB Escrow	2,964,636	-	2,964,636
Unrestricted	(4,239,111)	(458,072)	(4,697,183)
<b>TOTAL NET POSITION</b>	<b>\$ 26,994,670</b>	<b>\$ (84,418)</b>	<b>\$ 26,910,252</b>

See accompanying notes to financial statements

ALLEN COUNTY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	PROGRAM REVENUES		CHANGES IN NET POSITION	
	CHARGES FOR SERVICES	OPERATING GRANTS & CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES
<b>FUNCTIONS/PROGRAMS</b>				
<b>Governmental Activities</b>				
Current				
Instruction:				
Support Services:				
Student	15,865,209	2,851,941	(13,009,768)	(13,009,768)
Instructional Staff	988,554	14,417	(974,137)	(974,137)
District Administration	1,006,736	55,991	(950,745)	(950,745)
School Administration	730,764	11,627	(719,137)	(719,137)
Business	1,426,897	28,726	(1,398,171)	(1,398,171)
Plant Operations and Maintenance	637,910	47,634	(590,276)	(590,276)
Student Transportation	2,390,632	131,278	(2,257,979)	(2,257,979)
Food Service	2,203,443	75,956	(2,127,487)	(2,127,487)
Community Services	297,826	-	(2,687)	(2,687)
Interest on Long-Term Debt	1,576,903	261,881	(34,835)	(34,835)
Total Governmental Activities	5,985	3,479,451	(22,477,760)	(22,477,760)
Business-Type Activities				
Food Service	1,813,266	1,733,796	-	136,265
Total Primary Government	29,042,827	5,213,247	(22,477,760)	(22,341,495)

GENERAL REVENUES

From Local Services:	
Taxes:	
Property Taxes	4,575,014
Motor Vehicles Taxes	543,953
Unlimited Minerals Taxes	13,138
Other Taxes	45,221
Revenue in Lieu of Taxes	139,348
Investment Earnings	32,981
State Aid Formula Grants	20,552,811
Miscellaneous	531,488
Total General Revenues	26,433,954
Transfers to Other Funds	95,344
Change in Net Position	4,051,538
Net Position - Beginning	27,268,131
Net Position - See Note R Adjustment	(4,324,999)
Net Position - Ending	26,994,670

See accompanying notes to financial statements  
Page 10

**FUND FINANCIAL STATEMENTS**

ALLEN COUNTY SCHOOL DISTRICT  
BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2015

	GENERAL FUND	SPECIAL REVENUE FUND	CONSTRUCTION FUND	FSPK FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS:</b>							
Cash and Cash Equivalents	\$ 2,454,442	\$ 88,335	\$ 1,028,391	\$ 1,047	\$ -	\$ 472	\$ 3,572,687
Accrued Interest Receivable	-	-	-	-	-	-	-
Cash - Restricted	-	-	-	-	2,964,636	-	2,964,636
Receivables							
Taxes - Current	48,152	-	-	-	-	-	48,152
Intergovernmental - Federal	-	283,430	-	16,904	-	-	300,334
<b>TOTAL ASSETS:</b>	<u>\$ 2,502,594</u>	<u>\$ 371,765</u>	<u>\$ 1,028,391</u>	<u>\$ 17,951</u>	<u>\$ 2,964,636</u>	<u>\$ 472</u>	<u>\$ 6,885,809</u>
<b>LIABILITIES AND FUND BALANCE:</b>							
<b>LIABILITIES:</b>							
Accounts Payable	\$ 64,134	\$ 1,102	\$ -	\$ -	\$ -	\$ -	\$ 65,236
Accrued Payroll and Related Expenses	-	370,663	-	-	-	-	370,663
Unearned Revenues	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<u>\$ 64,134</u>	<u>\$ 371,765</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 435,899</u>
<b>FUND BALANCES:</b>							
<b>Restricted:</b>							
Construction	\$ -	\$ -	\$ 1,028,391	\$ -	\$ -	\$ -	\$ 1,028,391
SFCC	-	-	-	17,951	-	472	18,423
Bond Escrow	-	-	-	-	2,964,636	-	2,964,636
<b>Committed:</b>							
Site-Based Carryforward	209,361	-	-	-	-	-	209,361
Unassigned:	2,229,099	-	-	-	-	-	2,229,099
<b>TOTAL FUND BALANCES:</b>	<u>\$ 2,438,460</u>	<u>\$ -</u>	<u>\$ 1,028,391</u>	<u>\$ 17,951</u>	<u>\$ 2,964,636</u>	<u>\$ 472</u>	<u>\$ 6,449,910</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 2,502,594</u>	<u>\$ 371,765</u>	<u>\$ 1,028,391</u>	<u>\$ 17,951</u>	<u>\$ 2,964,636</u>	<u>\$ 472</u>	<u>\$ 6,885,809</u>

**ALLEN COUNTY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO  
THE STATEMENT OF NET POSITION**

June 30, 2015

Total fund balance per fund financial statement	\$ 6,449,909
Amounts reported for governmental activities in the statement of net position are different because:	

Capital assets used in governmental activities are not financial resources, and therefore are not reported as assets in governmental funds. The cost of the assets is \$85,443,345 and the accumulated depreciation is \$22,302,789.	63,140,556
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Deferred Outflows of Resources	398,058
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Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, and accrued interest) are not reported in the fund financial statements because they are not due and payable, but they are presented in the statement of net position.

Bond Obligations	(35,918,224)
Capital Lease Payable	(372,914)
Accrued Sick Leave	(417,312)
Unfunded Pension Liability	(4,192,461)
Deferred Inflows of Resources	(467,869)
Bond Interest Payable	(1,422,220)
Retainage Payable	<u>(202,853)</u>

Net position for Governmental Activities	<u>\$ 26,994,670</u>
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ALLEN COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	GENERAL FUND	SPECIAL REVENUE (GRANT) FUND	CONSTRUCTION FUND	FSPK FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES:</b>							
From Local Sources:							
Taxes:							
Property	\$ 3,216,904	\$ -	\$ -	\$ 1,542,660	\$ -	\$ -	\$ 4,759,564
Motor Vehicle	365,360	-	-	176,592	-	-	541,952
Unmined Minerals	8,678	-	-	4,460	-	-	13,138
Tuition & Fees	3,500	-	-	-	-	-	3,500
Earnings on Investments	20,048	756	12,177	-	-	-	32,981
Other Local Revenues	223,345	219,544	-	-	-	-	442,889
Intergovernmental - State	17,346,085	1,363,965	-	1,119,318	1,166,365	-	21,263,272
Intergovernmental- Indirect Federal	133,981	1,831,937	-	-	-	267,519	1,965,918
<b>TOTAL REVENUES</b>	<b>\$ 21,317,901</b>	<b>\$ 3,416,222</b>	<b>\$ 12,177</b>	<b>\$ 2,845,050</b>	<b>\$ 1,166,365</b>	<b>\$ 267,519</b>	<b>\$ 29,025,234</b>
<b>EXPENDITURES:</b>							
Current:							
Instruction:	\$ 13,074,237	\$ 2,851,941	\$ -	\$ -	\$ -	\$ -	\$ 15,926,178
Support Services:							
Student	974,302	14,417	-	-	-	-	988,719
Instructional Staff	951,513	55,991	-	-	-	-	1,007,504
District Administration	665,400	11,627	-	-	-	-	677,027
School Administration	1,405,453	28,726	-	-	-	-	1,434,179
Business	597,398	47,634	-	-	-	-	645,032
Plant Operations and Maintenance	2,164,637	131,278	-	-	-	-	2,295,915
Student Transportation	1,995,467	75,856	-	-	-	-	2,071,423
Food Service	-	2,687	-	-	-	-	2,687
Community Services	38,631	259,194	-	-	-	-	297,825
Facility Acquisition and Construction	-	-	5,687,981	-	-	-	5,687,981
Building Improvements	-	-	-	-	-	-	-
Debt Service:							
Principal	-	-	-	-	5,110,000	-	5,110,000
Interest	47,864	-	-	-	1,623,343	-	1,671,307
<b>TOTAL EXPENDITURES</b>	<b>\$ 21,915,002</b>	<b>\$ 3,479,451</b>	<b>\$ 5,687,981</b>	<b>\$ -</b>	<b>\$ 6,733,343</b>	<b>\$ -</b>	<b>\$ 37,815,777</b>
<b>Excess (deficit) of Revenues over Expenditures</b>	<b>\$ (597,101)</b>	<b>\$ (63,229)</b>	<b>\$ (5,675,804)</b>	<b>\$ 2,845,050</b>	<b>\$ (5,566,978)</b>	<b>\$ 267,519</b>	<b>\$ (8,790,543)</b>
<b>OTHER FINANCING SOURCES (USES):</b>							
Proceeds from Bonds	\$ -	\$ -	\$ -	\$ -	\$ 3,820,000	\$ -	\$ 3,820,000
Capital Lease Proceeds	372,914	-	-	-	-	0	372,914
Sale of Assets	-	-	91,084	-	-	0	91,084
Transfers In	845,413	63,229	160,000	-	2,488,137	0	3,556,779
Transfers Out	(63,229)	-	-	(3,130,687)	0	(267,519)	(3,461,435)
<b>TOTAL OTHER FINANCING SOURCES (USES):</b>	<b>\$ 1,155,098</b>	<b>\$ 63,229</b>	<b>\$ 261,084</b>	<b>\$ (3,130,687)</b>	<b>\$ 6,308,137</b>	<b>\$ (267,519)</b>	<b>\$ 4,379,342</b>
<b>Net Change in Fund Balance</b>	<b>\$ 557,997</b>	<b>\$ -</b>	<b>\$ (5,424,720)</b>	<b>\$ (285,637)</b>	<b>\$ 741,159</b>	<b>\$ -</b>	<b>\$ (4,411,201)</b>
<b>Fund Balance, July 1, 2014</b>	<b>1,884,624</b>	<b>-</b>	<b>8,453,111</b>	<b>303,588</b>	<b>2,223,477</b>	<b>472</b>	<b>10,865,272</b>
<b>Fund Balance Adjustment (See Note R)</b>	<b>(4,162)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,162)</b>
<b>Fund Balance, June 30, 2015</b>	<b>\$ 2,438,459</b>	<b>\$ -</b>	<b>\$ 1,028,391</b>	<b>\$ 17,951</b>	<b>\$ 2,964,636</b>	<b>\$ 472</b>	<b>\$ 6,449,809</b>

See accompanying notes to financial statements

**ALLEN COUNTY SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the year ended June 30, 2015

Net change in total fund balances per fund financial statements	\$ (4,411,201)
Amounts reported for governmental activities in the statement of activities are different because:	
Bond proceeds are reported as revenues in this fund financial statement	(3,820,000)
Capital Lease proceeds are reported as revenues in this fund financial statement	(372,914)
Capital outlays are reported as expenditures in this fund financial statement	7,344,425
Bond and capital lease payments are recognized as expenditures of current	5,110,000
Bond Interest Payments	205,018
Sick Leave	(3,790)
Change in Net position of Governmental Activities	<u>\$ 4,051,538</u>

**ALLEN COUNTY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS**

June 30, 2015

	<u>FOOD SERVICE FUND</u>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and Cash Equivalents	\$ 579,372
Inventory	22,722
Receivable	
Intergovernmental - Federal	16,118
<b>TOTAL CURRENT ASSETS</b>	<u>\$ 618,212</u>
<b>NONCURRENT ASSETS</b>	
Capital Assets (Net of Depreciation)	\$ 373,654
<b>TOTAL ASSETS</b>	<u>\$ 991,866</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	\$ 100,504
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accounts Payable	\$ 118
<b>TOTAL CURRENT LIABILITIES</b>	<u>\$ 118</u>
<b>NONCURRENT LIABILITIES</b>	
Unfunded Pension Liabilities	\$ 1,058,539
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>\$ 1,058,539</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 1,058,657</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	\$ 118,131
<b>NET POSITION</b>	
Invested in Capital Assets	\$ 373,654
Unrestricted	(458,072)
<b>TOTAL NET POSITION</b>	<u>\$ (84,418)</u>

See accompanying notes to financial statements

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>FOOD SERVICE</u>
<b>REVENUE:</b>	
Revenue from Local Sources	
Lunchroom Sales	\$ 315,932
<b>OPERATING EXPENSES:</b>	
Salaries Personnel Services	\$ 593,391
Employee Benefits	275,972
Professional & Technical Services	2,779
Purchased Property Services	20,167
Depreciation	44,337
Other Purchased Services	6,069
Supplies & Material	927,675
Property	39,379
Miscellaneous	3,497
<b>TOTAL OPERATING EXPENSES</b>	<u>\$ 1,913,266</u>
<b>OPERATING LOSS</b>	<u>\$ (1,597,334)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Federal Grants	\$ 1,461,332
Donated Commodities	116,649
State Grants	18,186
State on-behalf Payments	137,432
Interest Income	3,252
<b>TOTAL NON-OPERATING REVENUES AND (EXPENSES)</b>	<u>\$ 1,736,851</u>
<b>TRANSFERS TO/FROM OTHER FUNDS</b>	(95,344)
<b>CHANGE IN NET POSITION</b>	\$ 44,173
Net Position, July 1, 2014	<u>992,573</u>
Net Position Adjustment	(1,121,164)
Net Position, June 30, 2015	<u>\$ (84,418)</u>

See accompanying notes to the financial statements

**ALLEN COUNTY SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>FOOD SERVICE FUND</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash Received From:	
Lunchroom Sales	\$ 315,932
Other Activities	
Cash Paid to/for:	
Employees	(714,304)
Supplies	(844,372)
Other Activities	(71,891)
Net Cash Used by Operating Activities	<u>\$ (1,314,635)</u>
<b>Cash Flows from Non-Capital and Related Financing Activities</b>	
Federal Grants	\$ 1,479,297
State Grants	18,186
Net Cash Provided by Non-Capital and Related Financing Activities	<u>\$ 1,497,483</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Purchase of Capital Assets	(23,828)
Transfer to General Fund	(95,344)
Net Cash Used by Capital and Related Financing Activities	<u>\$ (119,172)</u>
<b>Cash Flows from Investing Activities</b>	
Receipt of Interest Income	<u>3,252</u>
Net Increase in Cash and Cash Equivalents	\$ 66,928
<b>Balances - Beginning of Year</b>	<u>512,444</u>
<b>Balances - End of Year</b>	<u>\$ 579,372</u>
<b>Reconciliation of Operating Loss to Net Cash Used by Operating Activities</b>	
Operating Loss	\$ (1,597,334)
<b>Adjustments to Reconcile Operating Income to Net Cash Provided (used) by Operating Activities:</b>	
Depreciation	44,337
Donated Commodities	116,649
On-Behalf Payments	137,432
<b>Changes in Assets and Liabilities</b>	
Fixed Assets	23,828
Receivables	(17,965)
Inventory	(39,327)
Deferred Inflows	17,627
Accounts Payable	118
Net Cash used by Operating Activities	<u>\$ (1,314,635)</u>
<b>Schedule of Non-cash Transactions:</b>	
Donated Commodities Received from Federal Government	\$ 116,649
State On-behalf Payments	137,432

See accompanying notes to financial statements

**ALLEN COUNTY SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**AGENCY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Agency Funds
<b>ASSETS</b>	
Cash	<u>\$ 372,294</u>
Accounts Receivable	-
<b>TOTAL ASSETS</b>	<u><u>\$ 372,294</u></u>
<b>LIABILITIES</b>	
Accounts Payable	\$ -
Due to Student Groups	<u>372,294</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 372,294</u></u>

See accompanying notes to financial statements

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**ALLEN COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The Allen 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 Allen County School District. The District receives funding from local, state, and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, ***Codification of Governmental Accounting and Financial Reporting Standards*** as Board members are elected by the public and have decision-making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

During the year ended June 30, 2011, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." The standard established the fund balance categories of nonspendable, restricted, committed, assigned and unassigned. Information concerning the District's fund balances can be found in Note C.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Allen 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 also include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding, and appointment of the respective governing Board. Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

**Allen County School District Finance Corporation** – In July 1985, the Allen County, Kentucky, Board of Education resolved to authorize the establishment of the Allen 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 Allen County Board of Education also comprise the Corporation's board of directors.

**Basis of Presentation**

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

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.

**ALLEN COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED**

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 segments or governmental function is self-financing or draws from the general revenues of the District.

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

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

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the main operating fund of the Board. 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 the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on page 42. This is a major fund of the District.

**ALLEN COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED**

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

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 (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan. The FSPK Fund is a major fund.
3. The Construction Fund accounts for proceeds from sale of bonds and other revenues to be used for authorized construction. The Construction Fund is a major fund.

(D) The Debt Service Funds are 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. This is a major fund of the District.

II. Proprietary Fund Types (Enterprise Fund)

The 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 recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund.

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

III. Fiduciary Fund Type

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

**ALLEN COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED**

**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, 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 Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

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 changes in net position as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

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

**ALLEN COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED**

**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, 2015, to finance the General Fund operations were \$.591 per \$100 valuation for real property, \$.591 per \$100 valuation for business personal property and \$.580 per \$100 valuation for motor vehicles.

**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. 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
General equipment	5-15 years

**ALLEN COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED**

**Interfund Balances**

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

**Budgetary Process**

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

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

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

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Per Board policy, only amendments that aggregate greater than \$50,000 require Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

**Cash and Cash Equivalents**

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

**Inventories**

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

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

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

**ALLEN COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED**

**Prepaid Assets**

Payments made that will benefit periods beyond June 30, 2014 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**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 and, accumulated sick leave, 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**

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

**Operating Revenues and Expenses**

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

**Contributions of Capital**

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

**Interfund Activity**

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

**ALLEN COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

**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 general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**NOTE C – FUND BALANCES**

Nonspendable fund balances are those that cannot be spent on future obligations. At June 30, 2015, there were no nonspendable fund balances.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2015, the district had \$1,028,391 restricted for capital projects in the Construction Fund, \$17,951 restricted for SFCC in the FSPK Fund, \$2,964,636 for bond escrow in the Debt Service Fund and \$472 restricted for SFCC in the SEEK Capital Outlay Fund.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. At June 30, 2015 the district had 209,361 for Site-Based Carryforward in the General Fund.

Assigned fund balances are those amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrance of funds. At June 30, 2015 there were no assigned fund balances.

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

**NOTE D – CASH AND CASH EQUIVALENTS**

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy is to have all deposits secured by pledged securities. At June 30, 2015, \$4,859,369 of the District's bank balance of \$5,748,241 was exposed to custodial credit risk. The bank balance not covered by depository insurance was collateralized by securities held by the pledging financial institution.

**ALLEN COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

**NOTE E – LONG-TERM OBLIGATIONS**

The amount shown in the accompanying financial statements as bond obligations represents the Board's future obligations to make payments relating to the bonds issued by the Allen County School District Finance Corporation.

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

<u>ISSUE</u>		
2003 R	\$ 2,190,000	1.85%
2004	1,320,000	4.14%
2005 R	5,650,000	3.48%
2005	4,020,000	3.95%
2006	565,000	4.10%
2007	690,000	3.94%
2010	16,115,000	4.75%
2012	4,970,000	2.40%
2013	9,505,000	3.53%
2015	<u>3,820,000</u>	2.00%
<b>Total</b>	<b><u>\$ 48,845,000</u></b>	

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 Allen County Fiscal Court and the City of Scottsville to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

The District has "participation agreements" with the Kentucky School Facilities Construction Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local school districts in meeting school construction needs. The following table 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 at dates and redemption premiums specified in each issue. Assuming no issues are called prior to scheduled maturity, the minimum obligations of the funds at June 30, 2015 for debt service (principal and interest) are as follows:

	<u>ALLEN COUNTY</u>			<u>STATE</u>			<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
6/30/2016	1,187,237	472,645	1,659,882	277,763	889,621	1,167,384	2,827,266
6/30/2017	1,242,138	422,581	1,664,719	287,862	878,503	1,166,365	2,831,084
6/30/2018	1,096,055	382,382	1,478,437	268,945	871,063	1,140,008	2,618,445
6/30/2019	1,114,379	360,310	1,474,689	275,621	864,387	1,140,008	2,614,697
6/30/2020	1,137,563	337,931	1,475,494	282,437	857,571	1,140,008	2,615,502
6/30/21-25	5,209,718	1,218,297	6,428,015	1,355,282	4,162,312	5,517,594	11,945,609
6/30/26-30	2,548,189	677,327	3,225,516	16,846,811	2,077,734	18,924,545	22,150,061
6/30/31-34	<u>2,328,153</u>	<u>190,062</u>	<u>2,518,215</u>	<u>516,847</u>	<u>40,838</u>	<u>557,685</u>	<u>3,075,900</u>
<b>Grand Total</b>	<b><u>\$ 15,863,432</u></b>	<b><u>\$ 4,061,535</u></b>	<b><u>\$ 19,924,967</u></b>	<b><u>\$ 20,111,568</u></b>	<b><u>\$ 10,642,029</u></b>	<b><u>\$ 30,753,597</u></b>	<b><u>\$ 50,678,564</u></b>

**ALLEN COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

**NOTE E – LONG-TERM OBLIGATIONS 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.

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

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accumulated sick leave payable" in the general fund. The noncurrent portion of the liability is not reported.

Long-term liability for the year ended June 30, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Revenue bonds payable	\$37,265,000	\$3,820,000	\$ 5,110,000	\$ 35,975,000	\$ 1,465,000
Unfunded Pension Liab.	-	4,192,461	-	4,192,461	-
Accrued sick leave	<u>413,522</u>	<u>73,551</u>	<u>69,761</u>	<u>417,312</u>	<u>22,550</u>
Governmental Activities:					
Long-term liabilities	<u>\$37,678,522</u>	<u>\$8,086,012</u>	<u>\$ 5,179,761</u>	<u>\$ 40,584,773</u>	<u>\$ 1,487,550</u>
Food Service Fund:					
Unfunded Pension Liab.	-	1,058,539	-	1,058,539	-
Food Service Fund:					
Long-term liabilities	<u>\$37,678,522</u>	<u>\$1,058,539</u>	<u>\$ -</u>	<u>\$ 1,058,539</u>	<u>\$ -</u>

The debt service fund is primarily responsible for paying the bond obligations through funding from the capital outlay and FSPK funds. The general fund is primarily responsible for paying accrued sick leave.

**NOTE F – RETIREMENT PLANS**

**KENTUCKY TEACHERS' RETIREMENT SYSTEM**

**Pension Plan**

The District's employees are provided with two pension plans, based on each position's college degree requirement. The County Employees Retirement System covers employees whose position does not require a college degree or teaching certification. The Kentucky Teachers Retirement System covers positions requiring teaching certification or otherwise requiring a college degree.

**General information about the County Employees Retirement System Non-Hazardous ("CERS")**

*Plan description*—Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension

**ALLEN COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

*Benefits provided*—CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date, multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

*Contributions*—Required contributions by the employee are based on the tier:

	<u>Required contribution</u>
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

**General information about the Teachers' Retirement System of the State of Kentucky ("KTRS")**

*Plan description*—Teaching certified employees of the District and other employees whose positions require at least a college degree are provided pensions through the Teachers' Retirement System of the State of Kentucky (KTRS)—a cost-sharing multiple-employer defined

ALLEN COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015

benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. KTRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. KTRS issues a publicly available financial report that can be obtained at [http://www.ktrs.ky.gov/05\\_publications/index.htm](http://www.ktrs.ky.gov/05_publications/index.htm).

*Benefits provided*—For employees who have established an account in a retirement system administered by the Commonwealth prior to July 1, 2008, employees become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, employees must either:

- 1.) Attain age fifty-five (55) and complete five (5) years of Kentucky service, or
- 2.) Complete 27 years of Kentucky service.

Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

Final average salary is defined as the member's five (5) highest annual salaries for those with less than 27 years of service. Employees at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. KTRS also provides disability benefits for vested employees at the rate of sixty (60) percent of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing employees and \$5,000 for retired or disabled employees.

Cost of living increases are one and one-half (1.5) percent annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

*Contributions*—Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university employees are required to contribute 12.105% of their salaries to the System. University employees are required to contribute 9.895% of their salaries. KRS 161.580 allows each university to reduce the contribution of its employees by 2.215%; therefore, university employees contribute 7.68% of their salary to KTRS.

**ALLEN COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions at the rate of 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district and regional cooperative employees whose salaries are federally funded, the employer contributes 15.355% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

**Medical Insurance Plan**

*Plan description*—In addition to the pension benefits described above, KRS 161.675 requires KTRS to provide post-employment healthcare benefits to eligible employees and dependents. The KTRS Medical Insurance Fund 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 employees under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired employees and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

*Funding policy*—In order to fund the post-retirement healthcare benefit, six percent (6%) of the gross annual payroll of employees before July 1, 2008 is contributed. Three percent (3%) is paid by member contributions and three quarters percent (.75%) from Commonwealth appropriation and two and one quarter percent (2.25%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for KTRS because the Commonwealth of Kentucky provides the pension support directly to KTRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the CERS net pension liability	\$	5,251,000
Commonwealth's proportionate share of the KTRS net pension liability associated with the District		77,424,969
	\$	82,675,969

**ALLEN COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

The net pension liability for each plan was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2014, the District's proportion was 0.161839% percent.

For the year ended June 30, 2015, the District recognized pension expense of \$498,562 related to CERS and \$3,793,981 related to KTRS. The District also recognized revenue of \$3,793,981 for KTRS support provided by the Commonwealth. At June 30, 2014, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	586,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
District contributions subsequent to the measurement date	<u>498,562</u>	<u>-</u>
Total	<u>\$ 498,562</u>	<u>\$ 586,000</u>

\$498,562 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2016	99,712
2017	99,712
2018	99,712
2019	99,712
2020	99,712

**ALLEN COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

*Actuarial assumptions*—The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	CERS	KTRS
Inflation	3.50%	3.50%
Projected salary increases	4.50%	4.0-8.2%
Investment rate of return, net of investment expense & inflation	7.75%	7.50%

For CERS, Mortality rates for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired employees and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other employees. The Group Annuity Mortality Table set forward five years is used for the period after disability retirement.

For KTRS, Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with a setback of 1 year for females. The last experience study was performed in 2011 and the next experience study is scheduled to be conducted in 2016.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

For KTRS, the long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by KTRS's investment consultant, are summarized in the following table:

**ALLEN COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	45.0%	6.4%
Non U.S. Equity	17.0%	6.5%
Fixed Income	24.0%	1.6%
High Yield Bonds	4.0%	3.1%
Real Estate	4.0%	5.8%
Alternatives	4.0%	6.8%
Cash	2.0%	1.5%
Total	<u>100.0%</u>	

*Discount rate*—For CERS, the discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.75%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

For KTRS, the discount rate used to measure the total pension liability was 5.23%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan employees until the 2036 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2035 and a municipal bond index rate of 4.35% was applied to all periods of projected benefit payments after 2035. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

*Pension plan fiduciary net position* – Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports of both CERS and KTRS.

*Sensitivity of CERS and KTRS proportionate share of net pension liability to changes in the discount rate* – The following table presents the net pension liability of the District, calculated using the discount rates selected by each pension system, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate (I calculated the amounts in this schedule:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	6.75%	7.75%	8.75%
District's proportionate share Of net pension liability	6,909,527	5,417,000	3,785,026
KTRS	4.23%	5.23%	6.23%
District's proportionate share Of net pension liability	-	-	-

**ALLEN COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

*Pension plan fiduciary net position* – Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports of both CERS and KTRS.

**NOTE G - 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 based upon the grantor's review, the funds are considered not to have 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' satisfactions that the funds provided are being spent as intended and the grantors' intent to continue their programs.

**NOTE H- LITIGATION**

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

**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 is covered through the purchase of commercial insurance. The District has purchased certain policies that are retrospectively rated which include Workers' Compensation insurance.

**NOTE J – RISK MANAGEMENT**

The District is exposed to various risks of loss related to injuries to employees. To obtain insurance of workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. The public entity risk pools operate as common risk management and insurance programs for all school district and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount.

Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notices. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the members on a pro rata basis.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**ALLEN COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

**NOTE K – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2015 was as follows:

	* BALANCE <u>JULY 1, 2014</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE JUNE 30, 2015</u>
<b>Governmental Activities:</b>				
<b>Non-Depreciable Assets</b>				
Land	\$ 1,001,750	\$ -	\$ -	\$ 1,001,750
Land improvements	4,426,722	-	-	4,426,722
Buildings and building improvements	41,060,209	-	-	41,060,209
Technology equipment	2,751,719	113,615	(247,892)	2,617,442
Vehicles	3,231,766	281,793	(238,942)	3,274,617
General equipment	873,799	51,290	-	925,089
Construction in Progress	<u>24,083,942</u>	<u>8,053,573</u>	<u>-</u>	<u>32,137,515</u>
Totals at historical cost:	\$77,429,907	\$ 8,500,271	\$ (486,834)	\$85,443,344
<b>Less Accumulated Depreciation For:</b>				
Land improvements	\$ 1,629,616	\$ 197,538	\$ -	\$ 1,827,154
Buildings and building improvements	13,786,763	878,947	-	14,665,710
Technology equipment	2,452,449	72,342	(247,892)	2,276,899
Vehicles	2,877,089	138,214	(238,942)	2,776,361
General equipment	<u>731,250</u>	<u>25,415</u>	<u>-</u>	<u>756,665</u>
Total accumulated depreciation:	\$21,477,167	\$ 1,312,456	\$ (486,834)	\$22,302,789
<b>Governmental Activities Capital Assets Net</b>	<u>\$55,952,740</u>	<u>\$ 7,187,815</u>	<u>\$ -</u>	<u>\$63,140,555</u>
<b>DEPRECIATION EXPENSE CHARGED TO GOVERNMENTAL FUNCTIONS AS FOLLOWS:</b>				
Instructional	\$ 1,010,374			
Student support services	305			
District administration	54,430			
Plant operation & maintenance	98,146			
Student transportation	<u>149,201</u>			
Total	<u>\$ 1,312,456</u>			
<b>Business Type Activities:</b>				
Land improvements	\$ 9,690	\$ -	\$ -	\$ 9,690
Buildings and building improvements	287,750	-	-	287,750
Technology equipment	23,815	-	-	23,815
General equipment	<u>825,249</u>	<u>23,829</u>	<u>(8,452)</u>	<u>840,626</u>
Totals at historical cost:	\$ 1,146,504	\$ 23,829	\$ (8,452)	\$ 1,161,881
<b>Less Accumulated Depreciation For:</b>				
Land improvements	\$ 2,665	\$ 485	\$ -	\$ 3,150
Buildings and building improvements	32,612	5,755	-	38,367
Technology equipment	20,311	1,752	-	22,063
General equipment	<u>696,754</u>	<u>36,345</u>	<u>(8,452)</u>	<u>724,647</u>
Total accumulated depreciation:	\$ 752,342	\$ 44,337	\$ (8,452)	\$ 788,227
<b>Proprietary Activities Capital Assets Net</b>	<u>\$ 394,162</u>	<u>\$ (20,508)</u>	<u>\$ -</u>	<u>\$ 373,654</u>

**ALLEN COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

**NOTE L – DEFICIT OPERATING BALANCES**

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

General Fund	\$ 597,101
Special Revenue	63,229
Construction Fund	5,675,804
Debt Service	5,566,978

**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>
FSPK	General	Transfer	\$ 482,550
General	Special Revenue	Transfer	73,920
General	Special Revenue	Transfer	63,229
FSPK	Debt Service	Transfer	2,488,137
FSPK	Construction	Transfer	160,000
Seek Capital Outlay	General	Transfer	267,519
Food Service	General	Transfer	<u>95,344</u>
			<u>\$ 3,630,699</u>

**NOTE O – CAPITAL LEASES**

The District is party to numerous small operating leases for office equipment such as copiers, postage machines and fax machines, which represent an insignificant obligation.

**NOTE P – INTERFUND RECEIVABLE AND PAYABLES**

There were no interfund receivables and payables at June 30, 2015

**ALLEN COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

**NOTE Q – ON-BEHALF PAYMENTS**

For the year ended June 30, 2015, the Commonwealth of Kentucky contributed estimated payments on-behalf of the District's employees of \$3,127,061 to the health insurance carriers and the flexible spending account vendors. GASB Statements No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, establishes accounting and reporting standards for on-behalf payments. In accordance with the standard, the District recognized an expense and revenue for this payment on the District-Wide Financial Statements. The district receives on-behalf payments from the Commonwealth of Kentucky and United States Treasury for items including pension, technology, health care costs, operating costs and debt service. The amount received for the fiscal year ended June 30, 2015 was \$4,033,100 recorded as follows: \$4,829,287 in the General Fund, \$400,903 in the Debt Service Fund and \$137,432 in the Food Service Fund.

**NOTE R – NET POSITION ADJUSTMENT**

For the year ended June 30, 2015, the District adopted GASB 68 *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27*. As a result of this adoption, the beginning net assets of the governmental fund activities have been decreased by \$4,324,999 and proprietary activities have been decreased by \$1,193,434.

Additionally, there was an adjustment of \$4,162 made to Fund Balance in the General Fund to correct a prior year accounting error.

**NOTE S – SUBSEQUENT EVENTS**

The District has evaluated subsequent events through December 1, 2015, the date the financial statements were available to be issued.

**NOTE T – IMPACT OF RECENTLY ISSUED ACCOUNTING PRINCIPALS**

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27*. GASB 68, as amended by GASB 71 addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

The Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For

**ALLEN COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

defined benefit pensions, the Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This statement is effective for periods beginning after June 15, 2014. The District has adopted GASB 68 for the fiscal year 2015, which resulted in a restatement of beginning net position of \$3,990,000 for net pension liability being recognized on the financial statements.

In January 2013, the GASB issued Statement 69, *Government Combinations and Disposals of Government Operations*. GASB 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This statement is effective for periods beginning after December 15, 2013. The District has adopted GASB 69 for the fiscal year 2015. There was no effect on the financial statements.

In March 2013, the GASB issued Statement 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. GASB 70 requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This statement is effective for periods beginning after June 15, 2013. The District has adopted GASB 70 for the fiscal year 2015. There was no effect on the financial statements.

In November 2013, the GASB issued Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB 71 amends GASB 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. This statement is effective simultaneously with the provisions of GASB 68. The District has adopted GASB 71. The effect of the adoption has been discussed previously under GASB 68.

In February 2015, the GASB issued Statement 72, *Fair Value Measurement and Application*. GASB 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This statement is effective for periods beginning after June 15, 2015. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

ALLEN COUNTY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL- GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2015

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
<b>REVENUES:</b>				
From local sources:				
Taxes:				
Property	\$ 3,175,694	\$ 3,310,863	\$ 3,216,904	\$ (93,959)
Motor Vehicle	333,269	353,214	365,360	12,146
Unmined Minerals	-	-	8,678	8,678
Tuition & Fees	39,340	-	3,500	3,500
Earnings on Investments	16,875	16,875	20,048	3,173
Other Local Revenues	110,600	57,417	223,345	165,928
Intergovernmental - State	16,251,052	16,842,672	17,346,085	503,413
Intergovernmental - indirect Federal	100,000	133,981	133,981	-
TOTAL REVENUES	\$ 20,026,830	\$ 20,715,022	\$ 21,317,901	\$ 602,879
<b>EXPENDITURES:</b>				
Current:				
Instruction:	\$ 12,656,553	\$ 13,119,452	\$ 13,078,399	\$ 41,053
Support Services:				
Student	964,231	988,124	974,302	13,822
Instructional Staff	955,907	932,281	951,513	(19,232)
District Administration	726,778	757,101	665,400	91,701
School Administration	1,363,381	1,374,613	1,405,453	(30,840)
Business	574,875	622,027	597,398	24,629
Plant Operations and Maintenance	2,140,214	2,230,109	2,164,637	65,472
Student Transportation	1,596,383	2,096,402	1,995,467	100,935
Community Services	39,400	45,842	38,631	7,211
Contingency	1,755,476	1,479,872	-	1,479,872
Debt Service - Interest	-	47,964	47,964	-
TOTAL EXPENDITURES	\$ 22,773,198	\$ 23,693,787	\$ 21,919,164	\$ 1,774,623
Excess (deficit) of revenues over expenditures	\$ (2,746,368)	\$ (2,978,765)	\$ (601,263)	\$ 2,377,502
<b>OTHER FINANCING SOURCES (USES):</b>				
Capital Lease Proceeds	\$ -	\$ 372,914	\$ 372,914	\$ -
Transfers In	330,302	835,069	845,413	10,344
Transfers Out	(44,250)	(111,564)	(63,229)	48,335
TOTAL OTHER FINANCING SOURCES (USES):	\$ 286,052	\$ 1,096,419	\$ 1,155,098	\$ 58,679
Net Changes In Fund Balances	\$ (2,460,316)	\$ (1,882,346)	\$ 553,835	\$ 2,436,181
Fund Balance July 1, 2014	2,460,316	1,882,346	1,884,624	2,278
Fund Balance June 30, 2015	\$ -	\$ -	\$ 2,438,459	\$ 2,438,459

ALLEN COUNTY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL- SPECIAL REVENUE FUND

FOR THE YEAR ENDED JUNE 30, 2015

	BUDGETED AMOUNTS		ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
<b>REVENUES:</b>				
From local sources:				
Earnings on investments	\$ -	\$ -	\$ 756	\$ 756
Other local revenues	184,416	331,512	219,544	(111,968)
Intergovernmental - State	1,245,154	1,365,967	1,363,985	(1,982)
Intergovernmental - Federal	<u>1,908,211</u>	<u>1,926,548</u>	<u>1,831,937</u>	<u>(94,611)</u>
<b>TOTAL REVENUES</b>	<b>\$3,337,781</b>	<b>\$ 3,624,027</b>	<b>\$ 3,416,222</b>	<b>\$ (207,805)</b>
<b>EXPENDITURES:</b>				
Current:				
Instruction:	\$2,790,198	\$ 3,032,162	\$ 2,851,941	\$ 180,221
Support Services:				
Student	14,713	13,406	14,417	(1,011)
Instructional Staff	73,885	63,203	55,991	7,212
District Administration	40,000	40,000	11,627	28,373
School Administration	28,666	28,728	28,726	2
Business	43,834	48,329	47,634	695
Plant Operations and Maintenance	60,466	131,570	131,278	292
Student Transportation	41,969	64,140	75,956	(11,816)
Food Service	-	4,500	2,687	1,813
Community Services	232,490	290,027	259,194	30,833
<b>TOTAL EXPENDITURES</b>	<b>\$3,326,221</b>	<b>\$ 3,716,065</b>	<b>\$ 3,479,451</b>	<b>\$ 236,614</b>
<b>Excess (deficit) of Revenues over Expenditures</b>	<b>\$ 11,560</b>	<b>\$ (92,038)</b>	<b>\$ (63,229)</b>	<b>\$ 28,809</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	\$ 52,360	\$ 137,520	\$ 137,149	\$ (371)
Transfers Out	<u>(63,920)</u>	<u>(73,920)</u>	<u>(73,920)</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES):</b>	<b>\$ (11,560)</b>	<b>\$ 63,600</b>	<b>\$ 63,229</b>	<b>\$ (371)</b>
<b>Excess (deficit) of revenues and other financing sources over expenditures and other financing uses</b>	<b>\$ -</b>	<b>\$ (28,438)</b>	<b>\$ -</b>	<b>\$ 28,438</b>
<b>Fund Balance July 1, 2014</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balance June 30, 2015</b>	<b>\$ -</b>	<b>\$ (28,438)</b>	<b>\$ -</b>	<b>\$ 28,438</b>

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE CERS NET PENSION LIABILITY

Last 10 years\*

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Proportion of the net pension liability	0.161839%	*	*	*	*	*	*	*	*	*
Proportion share of the net pension liability	\$5,251,000	*	*	*	*	*	*	*	*	*
Covered - employee payroll	\$4,761,999	\$4,589,075	\$4,486,808	\$4,508,968	\$3,420,792	\$3,175,818	\$3,066,464	\$2,937,405	\$2,751,918	\$2,454,230
Proportion share of the net pension liability as percentage of covered payroll	110.27%	*	*	*	*	*	*	*	*	*
Plan fiduciary net position as a percentage of the total pension liability	66.80%	*	*	*	*	*	*	*	*	*

SCHEDULE OF CONTRIBUTIONS TO CERS

Contractually required contribution (Actuarially determined)	\$840,493	*	*	*	*	*	*	*	*	*
Contribution in relation to the actuarially determined contributions	\$532,934	*	*	*	*	*	*	*	*	*
Contribution deficiency (excess)	\$307,559	*	*	*	*	*	*	*	*	*
Covered employee payroll	\$4,761,999	\$4,589,075	\$4,486,808	\$4,508,968	\$3,420,792	\$3,175,818	\$3,066,464	\$2,937,405	\$2,751,918	\$2,454,230
Contributions as a percentage of covered employee payroll	11.19%	*	*	*	*	*	*	*	*	*

\*Fiscal year 2015 was the first year of implementation; therefore, only one year is shown.

Changes of benefit terms. There were no changes in benefit terms.

Changes of assumptions. There were no changes in assumptions.

## **SUPPLEMENTARY INFORMATION**

ALLEN COUNTY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET- NONMAJOR GOVERNMENTAL FUNDS

June 30, 2015

	SEEK CAPITAL OUTLAY FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<b>ASSETS:</b>		
Cash and Cash Equivalents	\$ 472	\$ 472
Cash - Restricted	-	-
Receivables	-	-
<b>TOTAL ASSETS:</b>	<u>\$ 472</u>	<u>\$ 472</u>
<b>LIABILITIES AND FUND BALANCE:</b>		
<b>LIABILITIES:</b>		
Accounts Payable	\$ -	\$ -
<b>TOTAL LIABILITIES</b>	<u>\$ -</u>	<u>\$ -</u>
<b>FUND BALANCES</b>		
Restricted:		
SFCC	\$ 472	\$ 472
Bond Escrow	-	-
<b>TOTAL FUND BALANCES:</b>	<u>\$ 472</u>	<u>\$ 472</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 472</u>	<u>\$ 472</u>

ALLEN COUNTY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES- NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2015

	SEEK CAPITAL OUTLAY FUND	TOTAL NON-MAJOR FUNDS
<b>REVENUES:</b>		
From Local Sources:		
Taxes:		
Property	\$ -	\$ -
Earnings on Investments	-	-
Other Local Revenues	-	-
Intergovernmental - State	<u>267,519</u>	<u>267,519</u>
<b>TOTAL REVENUES</b>	<b>\$ 267,519</b>	<b>\$ 267,519</b>
<b>EXPENDITURES:</b>		
Current:		
Instruction:	\$ -	\$ -
Faculty Acquisition and Construction	-	-
Plant Operations & Maintenance	-	-
Debt Service:		
Principal	-	-
Interest	-	-
Other	<u>-</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Excess (deficit) of Revenues over Expenditures</b>	<b><u>\$ 267,519</u></b>	<b><u>\$ 267,519</u></b>
<b>OTHER FINANCING SOURCES (USES):</b>		
Transfers In	\$ -	\$ -
Bond Proceeds	-	-
Transfers Out	<u>(267,519)</u>	<u>(267,519)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES):</b>	<b><u>\$ (267,519)</u></b>	<b><u>\$ (267,519)</u></b>
<b>Net Changes in Fund Balances</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>
<b>Fund Balance, July 1, 2014</b>	<b><u>472</u></b>	<b><u>472</u></b>
<b>Fund Balance, June 30, 2015</b>	<b><u>\$ 472</u></b>	<b><u>\$ 472</u></b>

ALLEN COUNTY SCHOOL DISTRICT  
 COMBINING STATEMENT OF FIDUCIARY NET POSITION - AGENCY FUNDS

FOR THE YEAR ENDED JUNE 30, 2015

	Allen County High School	Allen County Middle School	Allen County Primary Center	Allen County Intermediate Center	Allen County Vocational Center	Allen County Family Resource Center	Allen County Community Resource Center	Total
<b>ASSETS</b>								
Cash	\$ 172,891	\$ 59,485	\$ 45,728	\$ 33,289	\$ 22,554	\$ 6,323	\$ 32,024	\$ 372,294
<b>TOTAL ASSETS</b>	<u>\$ 172,891</u>	<u>\$ 59,485</u>	<u>\$ 45,728</u>	<u>\$ 33,289</u>	<u>\$ 22,554</u>	<u>\$ 6,323</u>	<u>\$ 32,024</u>	<u>\$ 372,294</u>
<b>LIABILITIES</b>								
Due to Student Groups	\$ 172,891	\$ 59,485	\$ 45,728	\$ 33,289	\$ 22,554	\$ 6,323	\$ 32,024	\$ 372,294
<b>TOTAL LIABILITIES</b>	<u>\$ 172,891</u>	<u>\$ 59,485</u>	<u>\$ 45,728</u>	<u>\$ 33,289</u>	<u>\$ 22,554</u>	<u>\$ 6,323</u>	<u>\$ 32,024</u>	<u>\$ 372,294</u>

ALLEN COUNTY SCHOOL DISTRICT  
 SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS AND LIABILITIES  
 AGENCY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2015

	Allen County High School	Allen County Middle School	Allen County Primary Center	Allen County Intermediate Center	Allen County Vocational Center	Allen County Family Resource Center	Allen County Community Resource Center	Total
Cash Balances, July 1, 2014	\$ 162,492	\$ 71,800	\$ 20,322	\$ 34,275	\$ 24,056	\$ 4,355	\$ 40,805	\$ 358,105
Receipts	306,914	75,100	75,469	77,928	94,200	95,476	18,995	744,082
Disbursements	296,515	87,415	50,063	78,914	95,702	93,508	27,776	729,893
Cash Balances, June 30, 2015	\$ 172,891	\$ 59,485	\$ 45,728	\$ 33,289	\$ 22,554	\$ 6,323	\$ 32,024	\$ 372,294
Due To Student Groups, June 30, 2015	\$ 172,891	\$ 59,485	\$ 45,728	\$ 33,289	\$ 22,554	\$ 6,323	\$ 32,024	\$ 372,294

ALLEN COUNTY SCHOOL DISTRICT  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS  
 ALLEN COUNTY HIGH SCHOOL ACTIVITY FUNDS

FOR THE YEAR ENDED JUNE 30, 2015

	Cash Balance 07/01/14	Receipts	Disbursements	Cash Balance 06/30/15	Due To Student Groups 06/30/15
ACCOUNTS:					
General	\$ 7,021	\$ 4,229	\$ 2,604	\$ 8,646	\$ 8,646
Boys Basketball	2,166	12,505	10,857	3,814	3,814
Girls Basketball	4,706	13,876	12,208	6,374	6,374
Football	1,402	26,080	23,655	3,827	3,827
Baseball	294	4,825	4,734	385	385
Agriculture	90	-	-	90	90
Annual	27,841	30,757	34,762	23,836	23,836
Art	30	10	25	15	15
Academic Team	6	-	-	6	6
Band	3	-	-	3	3
Beta	2,471	12,037	11,619	2,889	2,889
Black Heritage	2,259	152	611	1,800	1,800
Cheerleaders	359	-	139	220	220
Chess	-	-	-	-	-
Chorus	626	9,767	8,067	2,326	2,326
Co-Ed Y	340	4,005	3,991	354	354
Class Fees	60	-	-	60	60
English	2,392	-	-	2,392	2,392
Faculty Concessions	16	2,322	1,251	1,087	1,087
FFA	27,898	41,119	41,070	27,647	27,647
FHA	1,267	8,047	9,060	254	254
Home Economics	681	1,403	1,737	347	347
Library	1,189	517	-	1,706	1,706
Library Club	4	-	-	4	4
Math	81	-	-	81	81
Pep Club	783	2,105	2,299	589	589
P.E.	94	-	-	94	94
Prom	13,920	6,725	5,675	14,970	14,970
Retailing	107	-	-	107	107
Science	552	15,948	15,861	639	639
Seniors	571	1,942	2,513	-	-
Social Studies	496	-	-	496	496
Sophomores	116	-	-	116	116
Spanish Club	943	89	-	1,032	1,032
Spanish	241	-	-	241	241
Student Council	18	290	-	308	308
Special Education	379	-	90	289	289
Track	37	1,302	1,339	-	-
Drivers Ed	242	-	-	242	242
Soda/YOU Club	1,349	-	-	1,349	1,349
Sub Total	\$ 102,750	\$ 200,052	\$ 194,167	\$ 108,635	\$ 108,635

ALLEN COUNTY SCHOOL DISTRICT  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES  
 ALLEN COUNTY HIGH SCHOOL ACTIVITY FUNDS (CONTINUED)  
 FOR THE YEAR ENDED JUNE 30, 2015

	Cash Balance 07/01/14	Receipts	Disbursements	Cash Balance 06/30/15	Due To Student Groups 06/30/15
ACCOUNTS					
Preceding Page	\$ 102,750	\$ 200,052	\$ 194,167	\$ 108,635	\$ 108,635
Cross Country	1,302	731	1,145	888	888
FCA	263	13,052	12,850	465	465
Youth Services	954	-	-	954	954
Softball	570	3,998	3,799	769	769
Golf	1,158	1,410	1,439	1,129	1,129
Tennis	1,659	1,200	1,040	1,819	1,819
Literary Club	1,662	512	-	1,664	1,664
Health	478	-	189	289	289
Regional Tournament	-	25,547	25,547	-	-
Concessions	8,217	9,144	8,458	8,903	8,903
Renaissance	43	-	-	43	43
District Tournament	-	-	-	-	-
Speech Club	210	260	100	370	137
Art Club	82	153	98	137	192
Humanities	192	-	-	192	19
Computer Science	279	-	260	19	19
Attendance Incentives	5,076	1,749	-	6,825	6,825
Athletic Hold Money	-	400	400	-	-
Volleyball	253	2,604	2,795	62	62
Athletic Director	1,940	109	-	2,049	2,049
Guidance	1,494	18,515	18,517	1,492	1,492
Newspaper	274	-	-	274	274
Information Technology	561	-	-	561	561
History Club	500	537	635	402	402
Gary Shelton Memorial Scholars	-	-	-	-	-
Associate Athletic Account	23,211	4,126	3,245	24,092	24,092
Drama	2,790	1,724	326	4,188	4,188
FEA	133	423	382	174	174
Science Olympiad	74	610	493	191	191
Boys Region 3 Golf	2,281	1,600	1,373	2,508	2,508
Broadcasting	4	10	-	14	14
FMD	20	-	-	20	20
Faculty Flower Fund	361	-	144	217	217
NSSP	957	1,188	1,188	957	957
Swim	1,579	6,108	6,624	1,063	1,063
Chess Club	595	157	-	752	752
ROTC	570	10,995	10,791	774	774
ACS Regional FFA	-	-	-	-	-
SAF - Fishing Team	-	-	-	-	-
Total	\$ 162,492	\$ 306,914	\$ 296,515	\$ 172,891	\$ 172,521

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

ALLEN COUNTY SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/Passthrough Grantor/Program Title	Federal CFDA number	Pass through grantor's number	Expenditures
<b>U.S. Department of Agriculture</b>			
Passed through State Department of Education:			
Child Nutrition Cluster-Cash Assistance:			
School Breakfast Program	10.553	002-005-03	\$ 452,496
National School Lunch Program	10.555	002-005-03	977,906
Summer Food Service Program For Children	10.559	002-005-23	<u>30,930</u>
			\$ 1,461,332
Other U.S. Department of Agriculture Programs:			
Passed Through State Dept of Agric.:			
Non Cash Assistance-In-kind commodities	10.555	002-005-03	116,649
Total U.S. Department of Agriculture			<u>\$ 1,577,981</u>
<b>U.S. Department of Education</b>			
Passed through the State Department of Education:			
Title I Cluster			
Title I Grant to Local Educational Agencies	84.010	3104	\$ 174,996
Title I Grant to Local Educational Agencies	84.010	3104M	7,274
Title I Grant to Local Educational Agencies	84.010	310A	732,041
Title I Grant to Local Educational Agencies	84.010A	310AM	<u>4,044</u>
			\$ 918,355
Total Title I Cluster			\$ 918,355
Special Education Cluster(IDEA) Cluster			
Special Education-Grants to States	84.027	3374	\$ 73,069
Special Education-Grants to States	84.027	3373P	3,478
Special Education-Grants to States	84.027	3373	3,614
Special Education-Grants to States	84.027	337A	<u>482,235</u>
			\$ 562,396
Special Education-Preschool Grants	84.173	3434	\$ 2,529
Special Education-Preschool Grants	84.173	3433	474
Special Education-Preschool Grants	84.173	3433P	474
Special Education-Preschool Grants	84.173	343A	<u>20,535</u>
			\$ 24,012
Total Special Education Cluster			\$ 586,408
Improving Teacher Quality State Grants	84.367	4014	\$ 49,317
Improving Teacher Quality State Grants	84.367	401A	<u>139,586</u>
			\$ 188,903
Career and Technical Education-Basic Grants To States	84.048	3484	\$ 1,691
Career and Technical Education-Basic Grants To States	84.048	3484A	1,675
Career and Technical Education-Basic Grants To States	84.048	348A	41,340
Career and Technical Education-Basic Grants To States	84.048	348AS	<u>1,383</u>
			\$ 46,089
Early Reading First	84.359B	3504	\$ 49,128
Early Reading First	84.359B	350A	<u>56,735</u>
			\$ 105,863
Adult Education- State Grant Programs	84.002	365A	\$ 15,444
Adult Education- State Grant Programs	84.002	373A	25,924
Adult Education- State Grant Programs	84.002	373AS	<u>267</u>
			\$ 41,635
Race To the Top	84.413A	4521	\$ 5,371
Total Department of Education			<u>\$ 1,892,624</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 3,470,605</u></u>

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**ALLEN COUNTY SCHOOL DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2015**

**NOTE A – BASIS OF PRESENTATION**

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

**NOTE B – FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. At June 30, 2015, the District received commodities totaling \$116,649 for the year.

**NOTE C – SUBRECIPIENTS**

The District has no subrecipients for the fiscal year ended June 30, 2015.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**ALLEN COUNTY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2015**

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**Section I-Summary of Auditor's Results**

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Financial Statements

Type of auditor's report issued (unmodified):

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_yes \_\_\_X\_\_\_no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_yes \_\_\_X\_\_\_none reported

Noncompliance material to financial statements noted?

\_\_\_\_\_yes \_\_\_X\_\_\_no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_yes \_\_\_X\_\_\_no
- Significant deficiency(ies) identified that is not considered to be material weakness(es)? \_\_\_\_\_yes \_\_\_X\_\_\_none reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

\_\_\_\_\_yes \_\_\_X\_\_\_no

Identification of major programs:

CFDA Number(s)

10.553, 10.555, & 10.559  
84.010

Name of Federal Program or Cluster

Child Nutrition Cluster  
Title I Cluster

Dollar threshold used to distinguish Between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

\_\_\_X\_\_\_yes \_\_\_\_\_no

ALLEN COUNTY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2015

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**Section II – Financial Statement Findings**

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No matters were reported.

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**Section III – Federal Award Findings and Questioned Costs**

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No matters were reported.

**ALLEN COUNTY SCHOOL DISTRICT  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
JUNE 30, 2015**

There were no prior year audit findings.

**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***

# GOODMAN & WEBER, P.S.C.

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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

Members of the Board of Education  
Allen County School District  
Scottsville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Allen County Board of Education, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Allen County Board of Education's basic financial statements, and have issued our report thereon dated December 1, 2015.

### Internal Control Over Financial Reporting

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

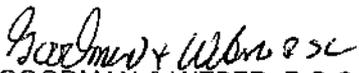
As part of obtaining reasonable assurance about whether Allen County Board of Education's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a 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 the *Independent Auditor's Contract*.

We noted certain matters that we reported to management of Allen County Board of Education in a separate letter dated December 1, 2015.

**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.

  
GOODMAN & WEBER, P.S.C.  
Certified Public Accountants  
Louisville, Kentucky  
December 1, 2015

**REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A  
DIRECT AND MATERIAL EFFECT ON EACH  
MAJOR PROGRAM AND INTERNAL  
CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

# GOODMAN & WEBER, P.S.C.

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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Members of the Board of Education  
Allen County School District  
Scottsville, Kentucky

### Report on Compliance for Each Major Federal Program

We have audited Allen County Board of Education'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 Allen County Board of Education's major federal programs for the year ended June 30, 2015. Allen County Board of Education'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 Allen County Board of Education's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Allen County Board of Education'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 Allen County Board of Education's compliance.

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

In our opinion, Allen County Board of Education, 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, 2015.

#### **Report on Internal Control Over Compliance**

Management of Allen County Board of Education, 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 Allen County Board of Education'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 Allen County Board of Education'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.



GOODMAN & WEBER, P.S.C.  
Certified Public Accountants  
Louisville, Kentucky  
December 1, 2015

**COMMUNICATION WITH DISTRICT BOARD**

# GOODMAN & WEBER, P.S.C.

Certified Public Accountants

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Members of the Board of Education  
Allen County School District  
Scottsville, Kentucky

In planning and performing our audit of the basic financial statements of Allen County School District for the year ended June 30, 2015, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and suggestions regarding these matters. Any uncorrected comments from the prior year have been included in the memorandum. A separate report dated December 1, 2015 contains our report on the District's internal control. This letter does not affect our report dated December 1, 2015, on the financial statements of Allen County Board of Education.

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 their implementation is currently being reviewed. 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.

This report is intended solely for the information and use of management, the members of the Allen County Board of Education, others within the District, the Kentucky Department of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



GOODMAN & WEBER, P.S.C.  
Certified Public Accountants  
Louisville, Kentucky  
December 1, 2015

## COMMENTS

**ALLEN COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER POINTS  
YEAR ENDED JUNE 30, 2015**

Fiduciary Funds – School Activity Funds

1. **Condition** – During the audit, we noted that in several activity funds, there were no purchase orders completed for some expenditures.  
**Criteria** – The *Accounting Procedures for School Activity Funds* (Red Book) states that all expenditures must be accompanied by an approved purchase order prior to payment.  
**Cause** – Oversight by district employees caused the violation of the requirement.  
**Recommendations** – Reinforce education to all school personnel about the policy and monitor that it is enforced.  
**Response** – Management agrees with the finding and recommendations will be adopted.
  
2. **Condition** – During the audit, we noted that in several activity funds, receipts are not submitted to the school treasurer on a timely basis.  
**Criteria** – The *Accounting Procedures for School Activity Funds* (Red Book) states that activity sponsors must submit receipts daily, regardless of amount.  
**Cause** – Oversight by school employees caused the violation of the requirement.  
**Recommendations** – Reinforce education to all school personnel about the policy and monitor that it is enforced.  
**Response** – Management agrees with the finding and recommendations will be adopted.
  
3. **Condition** – During the audit, we noted that in one activity fund, the Monthly/Annual Financial Report was not being completed properly.  
**Criteria** – The *Accounting Procedures for School Activity Funds* (Red Book) states that the Monthly/Annual Financial report (Form F-SA-15A) requires that each activity account be separately listed, with beginning balance, receipts, expenditures and ending balances for each activity be shown.  
**Cause** – Oversight by school employees caused the violation of the requirement.  
**Recommendations** – Reinforce education to all school personnel about the policy and monitor that it is enforced.  
**Response** – Management agrees with the finding and recommendations will be adopted.

**STATUS OF PRIOR YEAR RECOMMENDATIONS**

- It was noted in one activity fund, there was no support for some expenditures.
- It was noted in one activity fund, only a standard invoice was prepared.
- It was noted in one activity fund, the Monthly/Annual Financial Report was not being completed properly.

Current year follow-up: Some of these were repeat findings in the current year, but at different activity funds than prior year.