

BRACKEN COUNTY BOARD OF EDUCATION

FINANCIAL STATEMENTS
SUPPLEMENTARY INFORMATION
And
INDEPENDENT AUDITOR'S REPORTS

Year Ended June 30, 2015

Denise M. Keene
Certified Public Accountant
P.O. Box 1444
Georgetown, Kentucky 40324
502-857-2579

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DENISE M. KEENE
CERTIFIED PUBLIC ACCOUNTANT
P.O. BOX 1444
GEORGETOWN, KENTUCKY 40324
502-857-2579

**Unmodified Opinions on Basic Financial Statements Accompanied by
Required Supplementary Information and Other
Information – State or Local Governmental Entity**

INDEPENDENT AUDITOR'S REPORT

State Committee For School District Audits
Members of the Board of Education
Bracken County Board of Education
Brooksville, 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 the Bracken 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 Board'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; the provisions of Office of Management and Budget Circular A-133, Audits of States and Local Governments, and Non-Profit Organizations, and the audit requirements prescribed by the Kentucky State Committee for School District Audits. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 Board 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 Matter

As described in Note R to the financial statements, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, effective July 1, 2014. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 12 and budgetary comparison information on pages 50 and 51 and the Schedules of Proportionate Share of the Net Pension Liability and Schedule of Contributions on pages 62 and 63 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 Board's basic financial statements. The combining statements for nonmajor governmental funds and fiduciary funds, the statement of receipts, disbursements, and due to student groups-Bracken County High School, and the schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statements for nonmajor funds and fiduciary funds, the statement of receipts, disbursements, and due to student groups-Bracken County High School, and the schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements for nonmajor funds and fiduciary funds, the statement of receipts, disbursements, and due to student groups-Bracken County High School, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2015, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

Denise M. Keene

Denise M. Keene, CPA
Georgetown, Kentucky
November 6, 2015

**BRACKEN COUNTY BOARD OF EDUCATION
BROOKSVILLE, KENTUCKY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

As management of the Bracken 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 beginning cash balance, including activity funds, for the District was \$2,802,942.
The ending cash balance, including activity funds, for the District was \$3,012,065.

The General Fund had \$8,925,079 in revenue, which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes. Excluding inter-fund transfer, there were \$8,828,099 in General Fund expenditures. This includes on-behalf payments.

Staff received a 1% raise in addition to step and rank increases.

The District purchased two school buses.

The District filed a capital funds request and received KDE approval to use Capital Outlay funds and Building funds of \$211,305 for the following expenditures - Insurance \$98,874, one bus \$89,682 and the KSBIT judgment payment of \$22,749.

The District completed two construction projects during the year. The Middle School gym roof replacement and the High School, Middle School Security Vestibules.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

The district-wide financial statements can be found on pages 13 and 14 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 proprietary fund is food service operations. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 15-22 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 23-48 of this report.

DISTRICT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$10 million as of June 30, 2015.

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

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

Net position for the period ending June 30, 2015 and 2014

2015 District-wide net position compared to 2014 are as follows:

	Net Position (in thousands)					
	Governmental		Business-type		Total	
	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>
Assets	\$14,203	\$14,259	\$546	\$512	\$14,749	\$14,771
Deferred Outflows of Resources	\$224	\$215	\$44	\$42	\$268	\$257
Liabilities	\$4,587	\$4,002	\$336	\$324	\$4,923	\$4,326
Deferred Inflows of Resources	\$0	\$147	\$0	\$36	\$0	\$183
Investment in capital assets (net of debt)	\$8,267	\$8,747	\$382	\$361	\$8,649	\$9,108
Restricted	1,666	1,536	(128)	(167)	1,538	1,369
Unrestricted	<u>(93)</u>	<u>42</u>	<u>0</u>	<u>0</u>	<u>(93)</u>	<u>42</u>
Total Net Position	\$9,840	\$10,325	\$254	\$194	\$10,094	\$10,519

Budgetary Implications

In Kentucky the public school fiscal year is July 1 - June 30; other programs, i.e. some federal operate on a different fiscal year, but are reflected in the district overall budget. By law the budget must have a minimum 2 percent contingency. The district adopted a budget with \$499,424 in contingency, which is 6.27 percent.

Comments on Budget Comparisons

The original budget was amended to reflect changes in the site based allocations and anticipated revenues. The changes made were based on more accurate data being available after the first couple of months of the fiscal year.

	Changes in Net Position (in thousands)					
	Governmental		Business-type		Total	
	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>
Revenues						
Local Revenue Sources	\$1,846	\$2,337	\$168	\$163	\$2,014	\$2,500
State Revenue Sources	7,810	9,059	157	174	7,967	9,233
Federal Revenue Sources	559	590	513	539	1,072	1,129
Investments	<u>7</u>	<u>7</u>	<u>0</u>	<u>0</u>	<u>7</u>	<u>7</u>
Total Revenues	10,222	11,993	838	876	11,060	12,869
Expenses						
Instruction	6,825	7,481	0	0	6,825	7,481
Student Support Services	536	549	0	0	536	549
Instructional Support	331	333	0	0	331	333
District Administration	471	475	0	0	471	475
School Administration	635	639	0	0	635	639
Business Support	158	166	0	0	158	166
Plant Operations	800	844	0	0	800	844
Student Transportation	847	864	0	0	847	864
Facilities Acquisition & Construction	0	0	0	0	0	0
Community Support	79	79	0	0	79	79
Food Service	0	0	838	882	838	882
Debt Service	<u>126</u>	<u>106</u>	<u>0</u>	<u>0</u>	<u>126</u>	<u>106</u>
Total Expenses	10,808	11,536	838	882	11,646	12,418
Transfers	28	28	(28)	(28)	0	0
Sale of Assets	2	0	(1)		1	0
Change in Net Position	(556)	485	(29)	(34)	(585)	451
Beginning Net Position	<u>10,396</u>	<u>9,840</u>	<u>576</u>	<u>547</u>	<u>10,972</u>	<u>10,387</u>
Ending Net Position	\$9,840	\$10,325	\$547	\$513	\$10,387	\$10,838

The government's overall financial position and results of operations increase as a result of the year's operations as reflected in the increase in net position for the year.

INFRASTRUCTURE

The District has not reported any infrastructure in the current financial statements.

Analysis of balances and transactions of individual funds (in thousands)

Fund	Beginning	Revenues	Expenses	Transfer	Ending
General Fund	\$1,164	\$8,925	\$8,828	\$213	\$1,474
Special Revenue	\$117	\$1,244	\$1,288	\$27	\$100
Capital Outlay	\$188	\$113	\$0	(\$112)	\$189
Building	\$1,027	\$844	\$0	(\$727)	\$1,144
Construction	\$289	\$0	\$238	\$0	\$51
Debt Service	\$0	\$55	\$682	\$627	\$0

Capital Assets and Long-Term Debt Activity (in thousands)

	Beginning	Additions	Deductions	Ending
Governmental				
Capital Assets	\$20,280	\$480	\$214	\$20,546
Accumulated Depreciation	\$8,972	\$583	\$195	\$9,360
Business-Type				
Capital Assets	\$1,042	\$0	\$7	\$1,035
Accumulated Depreciation	\$659	\$21	\$7	\$673
Bonds Payable	\$3,013	\$0	\$574	\$2,439
Sick Leave Payable	\$61	\$14	\$0	\$75
KSBIT Judgment	\$58	\$0	\$23	\$35

CURRENT ISSUES

All staff received a 2% mandated raise in 2015-2016.

The District anticipates a reduction in federal funds again this year.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Board's finances and to reflect the Board's accountability for the monies it receives. Questions about this report or additional financial information should be directed to the Superintendent, Jeff Aulick, or to the Finance Officer, Brittany Mullikin, or by mail at 348 West Miami Street, Brooksville, KY 41004.

BRACKEN COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
DISTRICT WIDE
As of June 30, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and equivalents - Note C	\$2,854,970	\$122,701	\$2,977,671
Accounts receivable	203,661		203,661
Inventory		28,637	28,637
Prepaid expenses	13,496		13,496
Capital assets			
Land and construction in progress	211,000		211,000
Other capital assets, net of depreciation	<u>10,975,375</u>	<u>361,185</u>	<u>11,336,560</u>
Total capital assets	<u>11,186,375</u>	<u>361,185</u>	<u>11,547,560</u>
TOTAL ASSETS	\$14,258,502	\$512,523	\$14,771,025
DEFERRED OUTFLOWS OF RESOURCES			
Pension	\$215,058	\$42,078	\$257,136
LIABILITIES			
Accounts payable	\$3,852	\$0	\$3,852
Judgments payable	13,101		13,101
Accrued salaries and benefits payable	7,933		7,933
Unearned revenue	87,880		87,880
Interest payable	25,903		25,903
Long-term Liabilities			
Due within 1 year	592,108		592,108
Due in more than 1 year	1,956,312		1,956,312
Pension liability	<u>1,314,522</u>	<u>324,478</u>	<u>1,639,000</u>
TOTAL LIABILITIES	\$4,001,611	\$324,478	\$4,326,089
DEFERRED INFLOWS OF RESOURCES			
Pension	146,771	36,229	183,000
NET POSITION			
Net investment in capital assets	\$8,747,375	\$361,185	\$9,108,560
Restricted			
Prepays	13,496		13,496
Accrued sick leave	37,320		37,320
Food Service		(167,291)	(167,291)
SFCC	1,333,284		1,333,284
Other	100,490		100,490
Future Construction Projects	51,261		51,261
Debt Service	64		64
Unrestricted	<u>41,888</u>		<u>41,888</u>
TOTAL NET POSITION	\$10,325,178	\$193,894	\$10,519,072

See accompanying notes

BRACKEN COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
DISTRICT WIDE

For the year ended June 30, 2015

FUNCTIONS/PROGRAMS

Governmental Activities

	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Net (Expense) Revenue and Changes in Net Position Business-type Activities	Total
Instruction	\$7,481,202	\$11,127	\$1,051,466		(\$6,418,609)	\$	(\$6,418,609)
Support services:							
Student	549,322		10,871		(538,451)		(538,451)
Instruction staff	332,393		61,881		(270,512)		(270,512)
District administrative	474,579		640		(473,939)		(473,939)
School administrative	638,689		11,427		(627,262)		(627,262)
Business	166,084				(166,084)		(166,084)
Plant operation and maintenance	844,005				(844,005)		(844,005)
Student transportation	864,250	17,032	29,435		(817,783)		(817,783)
Community service activities	78,796		78,386		(410)		(410)
Interest on long-term debt	106,482	0	0	15,334	(91,148)		(91,148)
Total governmental activities	11,535,802	28,159	1,244,106	15,334	(10,248,203)		(10,248,203)

Business-type Activities

Food service	907,757	163,095	712,755			(31,907)	(31,907)
Total business-type activities	907,757	163,095	712,755			(31,907)	(31,907)
Total school district	\$12,443,559	\$191,254	\$1,956,861	\$15,334	(\$10,248,203)	(\$31,907)	(\$10,280,110)

General Revenues

Property taxes	\$1,386,582						\$1,386,582
Motor Vehicle taxes	291,755						291,755
Utility taxes	357,490						357,490
State aid-formula grants	8,662,214						8,662,214
Investment earnings	6,547					255	6,802
Transfers	28,248					(28,248)	0
Total general & special	10,732,836					(27,993)	10,704,843
Change in net positions					484,633	(59,900)	424,733
Net position - beginning					10,934,592	546,488	11,481,080
Prior period adjustment-Note U					(1,094,047)	(292,694)	(1,386,741)
Net position - ending					\$10,325,178	\$193,894	\$10,519,072

See accompanying notes

BRACKEN COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2015

	General Fund	Special Revenue	Building Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$1,383,638	\$100,490	\$1,144,117	\$240,472	\$2,868,717
Other receivables	101,986	101,675			203,661
Prepaid expenses	<u>13,496</u>				<u>13,496</u>
TOTAL ASSETS	\$1,499,120	\$202,165	\$1,144,117	\$240,472	\$3,085,874
LIABILITIES					
Bank Overdraft	\$	\$13,747			\$13,747
Accounts payable	3,804	48			3,852
Judgments payable	13,101				13,101
Unearned revenue		87,880			87,880
Accrued salaries and benefits payable	<u>7,933</u>				<u>7,933</u>
TOTAL LIABILITIES	24,838	101,675			126,513
Fund Balances					
Nonspendable					
Prepays	13,496				13,496
Restricted					
Sick Leave Payable	37,320				37,320
SFCC			1,144,117	189,147	1,333,264
Other		100,490			100,490
Future Construction Projects BG-1				51,261	51,261
Debt Service				64	64
Unassigned	<u>1,423,466</u>				<u>1,423,466</u>
Total fund balances	1,474,282	100,490	1,144,117	240,472	2,959,361
TOTAL LIABILITIES, AND FUND BALANCE	\$1,499,120	\$202,165	\$1,144,117	\$240,472	\$3,085,874

See accompanying notes

BRACKEN COUNTY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO
 THE STATEMENT OF NET POSITION
 As of June 30, 2015

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

Total Fund Balance - Governmental Funds		\$2,959,361
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position		11,186,375
Deferred outflow of resources		215,058
Deferred inflow of resources		(146,771)
Certain liabilities are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position		
	Bonds Payable	(2,439,000)
	KSBIT Judgment	(34,780)
	Pension Liability	(1,314,522)
	Accrued Interest on Bonds	(25,903)
	Accumulated Sick Leave	<u>(74,640)</u>
Total Net Position - Governmental Activities		\$10,325,178

See accompanying notes

BRACKEN COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended June 30, 2015

	General Fund	Special Revenue	Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
From local sources					
Property taxes	\$1,039,110	\$	\$347,472	\$0	\$1,386,582
Motor vehicle taxes	291,755				291,755
Utility taxes	357,490				357,490
Earnings on investments	3,458		2,567	522	6,547
Other local revenues	25,314	275,615			300,929
Intergovernmental - State	7,182,358	404,656	494,010	167,370	8,248,394
Intergovernmental - Federal	<u>25,594</u>	<u>563,835</u>			<u>589,429</u>
Total revenues	8,925,079	1,244,106	844,049	167,892	11,181,126
Expenditures					
Instruction	5,003,605	1,095,228			6,098,833
Support services					
Student	531,059	10,871			541,930
Instruction staff	262,158	61,881			324,039
District administration	473,050	640			473,690
School administration	624,337	11,427			635,764
Business	164,752				164,752
Plant operation and maintenance	787,430				787,430
Student transportation	981,298	29,435			1,010,733
Community service activities	410	78,386			78,796
Facilities				238,280	238,280
Debt service				<u>682,540</u>	<u>682,540</u>
Total expenditures	<u>8,828,099</u>	<u>1,287,868</u>		920,820	11,036,787
Excess(deficit)of revenues over expenditures	96,980	(43,762)	844,049	(752,928)	144,339
Other Financing Sources (Uses)					
Sale of equipment	385				385
Operating transfers in	239,553	27,357		627,517	894,427
Operating transfers out	<u>(26,821)</u>	<u>(536)</u>	<u>(727,075)</u>	<u>(111,747)</u>	<u>(866,179)</u>
Total other financing sources (uses)	213,117	26,821	(727,075)	515,770	28,633
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	310,097	(16,941)	116,974	(237,158)	172,972
Fund balance, July 1, 2014	<u>1,164,185</u>	<u>117,431</u>	<u>1,027,143</u>	<u>477,630</u>	<u>2,786,389</u>
Fund balance, June 30, 2015	\$1,474,282	\$100,490	\$1,144,117	\$240,472	\$2,959,361

See accompanying notes

BRACKEN COUNTY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO
 THE DISTRICT-WIDE STATEMENT OF ACTIVITIES
 For The Year Ended June 30, 2015

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

Total net change in fund balances - governmental funds \$172,972

Capital outlays are reported as expenditures in this fund financial
 statement because they use current financial resources, but they
 are presented as assets in the statement of activities and
 depreciated over their estimated economic lives. The difference
 is the amount by which capital outlays exceeds depreciation
 expense for the year.

Depreciation Expense	(583,079)	
Capital Outlays	<u>461,198</u>	(121,881)

Deferred outflows from pension	(8,457)
Deferred inflows from pension	(146,771)

Bond proceeds provide current financial resources to
 governmental funds, but issuing debt increases long-term
 liabilities in the statement of net position. Repayment of bond
 principal is an expenditure in the governmental funds, but the
 repayment reduces long-term liabilities in the statement of net
 position.

Repayment of Bond Principal	574,000
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Generally, expenditures recognized in this fund financial statement
 are limited to only those that use current financial resources, but
 expenses are recognized in the statement of activities when they
 are incurred.

Change in Accrued Interest	2,058
Change in Pension Liability	3,040
KSBIT liability	23,101
Change in Sick Leave	<u>(13,429)</u>

Total Change in Net Position - Governmental Activities \$484,633

See accompanying notes

BRACKEN COUNTY SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 As of June 30, 2015

	Business-Type Activities Enterprise Funds Food Service <u>Fund</u>
ASSETS	
Cash and Equivalents	\$122,701
Inventory	28,637
Capital Assets, net of depreciation	<u>361,185</u>
TOTAL ASSETS	\$512,523
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows from pension	\$42,078
LIABILITIES	
Pension liability- long term	\$324,478
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows from pension	\$36,229
NET POSITION	
Net Investment in Capital Assets	361,185
Restricted Net Position	<u>(167,291)</u>
TOTAL NET POSITION	\$193,894

See accompanying notes

BRACKEN COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For The Year Ended June 30, 2015

	Business-Type Activities Enterprise Funds Food Service <u>Fund</u>
OPERATING REVENUES	
Lunchroom sales	\$163,095
Total Operating Revenues	163,095
OPERATING EXPENSES	
Salaries and wages	491,031
Contract services	10,144
Materials and supplies	383,073
Other expenses	2,249
Depreciation	<u>21,260</u>
Total Operating Expenses	907,757
Operating income (loss)	(744,662)
NON-OPERATING REVENUES (EXPENSES)	
Federal grants	492,188
Commodities received	46,646
State grants	6,642
State on-behalf payments	167,279
Interest income	255
Indirect cost transfer to general fund	<u>(28,248)</u>
Non-operating revenues (expenses)	684,762
Net income (loss) before Capital Contributions	(59,900)
Increase (decrease) in Net Position	(59,900)
Net Position, July 1, 2014	546,488
Prior Period Adjustment, Note U	<u>(292,694)</u>
Net Position, June 30, 2015	\$193,894

See accompanying notes

BRACKEN COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended June 30, 2015

Business-Type Activities
Enterprise Funds
Food Service
Fund

CASH FLOW FROM OPERATING ACTIVITIES

Cash received from customers	\$164,296
Cash paid to employees, including benefits	(297,817)
Cash paid to suppliers	<u>(345,293)</u>
Net cash provided by operating activities	(478,814)

CASH FLOW FROM NONCAPITAL
FINANCING ACTIVITIES

Cash received from government funding	498,830
Indirect cost transfer to general fund	<u>(28,248)</u>
Net cash provided from capital and related financing activities	470,582

CASH FLOW FROM CAPITAL AND RELATED
FINANCING ACTIVITIES

Interest Income	<u>255</u>
Net cash provided from capital and related financing activities	255

Net increase (decrease) in cash (7,977)

Cash and equivalents, July 1, 2014 130,678

Cash and equivalents, June 30, 2015 \$122,701

Reconciliation of Operating income (loss) to Net Cash

Provided by Operating Activities	
Operating income (loss)	(\$744,662)

Adjustments to reconcile net income to cash provided by operating activities

Depreciation	21,260
On-behalf payments	167,279
Commodities used	46,646
Change in pension expense	25,935
Decrease in inventory	3,527
Decrease in accounts receivable	<u>1,201</u>

Net cash provided by operating activities and increase in cash and equivalents (\$478,814)

Schedule of Non-Cash Financing Activities

Donated commodities	\$46,646
On Behalf payments	\$167,279

See accompanying notes

BRACKEN COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
As of June 30, 2015

	Agency Fund
ASSETS	
Cash and equivalents	\$34,394
Accounts receivable	<u>7,864</u>
TOTAL ASSETS	\$42,258
LIABILITIES	
Accounts payable	\$73
Due to student groups	<u>42,185</u>
TOTAL LIABILITIES	\$42,258

See accompanying notes

BRACKEN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

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

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

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

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

Bracken County School District Finance Corporation (the Corporation) – the Bracken County Board of Education has established the Bracken 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 Bracken County Board of Education also comprise the Corporation's Board of Directors.

Basis of Presentation

District-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 Board that are governmental and those that are considered business-type activities.

The district-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 reconciliations with brief explanations to better identify the relationship between the district-wide statements and the statements for governmental funds.

BRACKEN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2015

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

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and proprietary 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 total net position. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for and reports all financial resources not accounted for and reported in another fund. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Fund accounts for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

BRACKEN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2015

- C. Capital Project Funds are used to account for and report financial resource that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.
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) Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan. This is a major fund.
 3. The Construction Fund includes Capital Projects Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction and/or renovations.

II. Debt Service Fund

The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds are used to report resources if legally mandated. Financial resources that are being accumulated for principal and interest maturing in future years are reported in debt service funds.

III. Proprietary Funds (Enterprise Fund)

1. The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). This is a major fund for the District.

IV. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)

1. 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 Uniform Program of Accounting for School Activity Funds.
2. The Private Purpose Trust Funds are used to report trust arrangements under which principal and income benefit individuals, private organizations or other governments. The District does not currently have any Private Purpose Trust Funds.

BRACKEN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2015

V. Permanent Funds

Permanent Funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs – that is, for the benefit of the government or its citizenry.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. District-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 – Exchanges and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, are 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 resources are required to be used or the fiscal year when used 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 they 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.

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.

BRACKEN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2015

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.

The property tax rates assessed for the year ended June 30, 2015, to finance operations were \$.370 per \$100 valuation for real property, \$.370 per \$100 valuation for business personal property and \$.525 per \$100 valuation for motor vehicles.

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

Fund Balance Classification Policies and Procedures

The Board intends that accounting practices follow state and federal laws and regulations and generally accepted accounting policies.

Nonspendable Fund Balance

Amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact will be classified as Nonspendable Fund Balance.

Restricted Fund Balance

Fund Balance will be reported as restricted when constraints placed on the use of resources are either; (a) externally imposed by creditors, grantors, contributors, or laws or regulations or other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

The Board will use restricted amounts before unrestricted amounts when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

Committed Fund Balance

Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Education will be reported as committed fund balance.

Assigned Fund Balance

Amounts that have been assigned for a specific purpose by formal resolution of the Board of Education will be reported as assigned fund balance for a specific purpose.

Unassigned Fund Balance

Unassigned Fund Balance is the residual classification for the general fund.

When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classification could be used, the funds will first be spent from committed, then assigned, and then finally unassigned.

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.

BRACKEN COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2015

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 does not possess any infrastructure. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>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	12 years
Furniture and fixtures	20 years
Rolling stock	15 years
Other	10 years

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.

BRACKEN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2015

Budgetary Process

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

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

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

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

Each budget is prepared and controlled by the treasurer 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 district-wide financial statements inventories are stated at cost and are expensed when used.

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

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

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2015, are recorded as prepaid items using the consumption method. Prepaid assets are only recorded if material to the financial statements.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expenses, information about the fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

BRACKEN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2015

Accrued Liabilities and Long-Term Obligations

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

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

Net Position

Net position represent 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 is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools and collections for services such as child care.

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.

Subsequent Events

Subsequent events were considered through November 6, 2015, which represents the date of my report.

BRACKEN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2015

Interfund Activity

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.

Uses of Estimates

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

Encumbrances

Encumbrances are not liabilities and therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying combined financial statements.

NOTE B – PROPERTY TAX CALENDAR

Property taxes for fiscal year 2015 were levied on the assessed valuation of property located in the School District as of January 1, 2014 lien date. The due date and collection periods for all taxes exclusive of vehicle taxes are as follows:

Description	per KRS 134.020
Due date for payment of taxes	Upon receipt
Face value amount payment date	December 31
Delinquent date, 5% penalty	January 1- 31
Delinquent date, 10% penalty	February 1

Vehicle taxes are collected by the County Clerk and are due and collected in the birth month of the vehicle's licensee.

BRACKEN COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2015

NOTE C – CASH AND CASH EQUIVALENTS

At year-end, the carrying amount of the District's total cash and cash equivalents was \$2,802,942. Of the total cash balance, \$250,000 was covered by Federal Depository insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

Cash and cash equivalents at June 30, 2015, consisted of the following:

	Bank Balance	Book Balance
General Checking Account		
General Fund	\$	\$ 1,383,638
Fund 2		(13,747)
Fund 21		100,490
Fund 310		189,147
Fund 320		1,144,117
Fund 360		51,261
Fund 51		<u>122,701</u>
Total General Checking Account	3,399,159	2,977,607
Activity and Trust Funds	37,432	34,394
Debt Service Funds	<u>64</u>	<u>64</u>
TOTALS	\$ 3,436,655	\$3,012,065

Breakdown per financial statements:

Governmental Funds	\$ 2,854,970
Proprietary Funds	122,701
Agency Funds	<u>34,394</u>
TOTALS	\$ 3,012,065

NOTE D – CAPITAL ASSETS

Depreciation expense was charged to functions of the governmental activities as follows:

Instruction	\$ 431,662
Support Services	
Student	7,392
Instructional Staff	8,354
District Administration	889
School Administration	2,926
Business	1,332
Plant operations & maintenance	56,575
Student transportation	<u>73,949</u>
Total Depreciation expense, governmental activities	\$ 583,079

BRACKEN COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2015

NOTE D – CAPITAL ASSETS

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

Governmental Activities	July 1, 2014	Additions	Retirements	June 30,2015
Land	211,000			211,000
Land Improvements	1,056,252		106,558	949,694
Building & Building Improve	15,986,705	211,033		16,197,738
Technology Equipment	878,744	25,209	87,866	816,087
Vehicles	1,492,343	220,432		1,712,775
General Equipment	635,665	23,672		659,337
Construction in Process	<u>19,148</u>	<u>0</u>	<u>19,148</u>	<u>0</u>
Totals at historical cost	20,279,857	480,346	213,572	20,546,631
Accumulated Depreciation				
Land Improvements	832,349	45,641	106,558	771,432
Building & Building Improve	6,066,258	336,817		6,403,075
Technology Equipment	694,963	73,943	87,866	681,040
Vehicles	1,006,463	90,956		1,097,419
General Equipment	<u>371,568</u>	<u>35,722</u>	<u>0</u>	<u>407,290</u>
Total accumulated depreciation	8,971,601	583,079	194,424	9,360,256
Capital Assets – Net	11,308,256	(102,733)	(19,148)	11,186,375
Business-Type Activities				
Building & Building Improve	668,227			668,227
Technology Equipment	2,892			2,892
General Equipment	<u>370,511</u>	<u>0</u>	<u>6,752</u>	<u>363,759</u>
Totals at historical cost	1,041,630	0	6,752	1,034,878
Accumulated Depreciation				
Building & Building Improve	336,389	13,364		349,753
Technology Equipment	562	579		1,141
General Equipment	<u>322,235</u>	<u>7,316</u>	<u>6,752</u>	<u>322,799</u>
Total accumulated depreciation	659,186	21,259	6,752	673,693
Capital Assets – Net	382,444	(21,259)	0	361,185

BRACKEN COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2015

NOTE E – BONDED DEBT AND LEASE OBLIGATIONS

The amount shown in the accompanying financial statements as lease obligations represents the District's future obligations to make lease payments relating to the bonds issued aggregating the original amount of each issue, the issue date, and interest rates are summarized below:

Issue Date	Proceeds	Rates
1999	\$ 235,000	4.25%
2004 Refunding	5,290,000	2.00% - 3.60%
2010	1,970,000	2.00% - 4.00%

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

There are a number of limitations and restrictions contained in the various bond indentures. Management has indicated that the District is in compliance with all significant limitations and restrictions as of June 30, 2015.

The District entered into "participation agreements" with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

The following is a summary of the District's long-term debt transactions for the year ended.

	Beginning Balance	Additions	Payments	Ending Balance
Bonds	\$3,013,000		\$574,000	\$2,439,000
Sick Leave	\$61,211	\$13,429		\$74,640
Total	\$3,074,211	\$13,429	\$574,000	\$2,513,640

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2015, for debt service (principal and interest) are as follows:

BRACKEN COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2015

Year	Bracken County School District		SFCC Participation		Total
	Principal	Interest	Principal	Interest	
2015-16	547,653	74,694	41,347	13,676	677,370
2016-17	146,066	55,052	38,934	12,003	252,055
2017-18	150,997	50,646	29,003	10,659	241,305
2018-19	154,640	45,914	30,360	9,560	240,474
2019-20	158,506	40,691	16,494	8,370	224,061
2020-21	168,580	34,945	16,420	7,772	227,717
2021-22	172,685	28,834	17,315	7,177	226,011
2022-23	181,738	22,574	18,262	6,550	229,124
2023-24	186,675	15,577	18,325	5,846	226,424
2024-25	195,585	8,390	19,415	5,141	228,531
2025-26	4,449	812	20,551	4,388	30,200
2026-27	4,219	634	20,781	3,566	29,200
2027-28	2,936	465	22,064	2,735	28,200
2028-29	2,554	348	22,446	1,852	27,200
2029-30	<u>6,131</u>	<u>245</u>	<u>23,869</u>	<u>955</u>	<u>31,200</u>
	2,083,414	379,821	355,586	100,250	2,919,072

NOTE F – COMMITMENTS UNDER NONCAPITALIZED LEASES

Commitments under operating lease agreements for equipment provide the minimum future rental payments as of June 30, 2015, as follows:

Year ending June 30,

2016	\$ 45,356
2017	0
2018	0
2019	0
2020	0
Later years	<u>0</u>
Total	\$ 45,356

BRACKEN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2015

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' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

NOTE H – 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 which are retrospectively rated which includes Workers' Compensation insurance.

NOTE I – 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. At June 30, 2015, this amount totaled \$74,640 of which \$37,320 is restricted in the current year fund balance of the General Fund.

NOTE J – INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2015, consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
None		

NOTE K – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District purchases various commercial insurance.

The District purchased 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.

BRACKEN COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2015

NOTE L – DEFICIT OPERATING/FUND BALANCES

Funds with a current year deficit of revenues over expenditures

Fund 21	(16,941)
Fund 360	(238,128)
Fund 51	(59,900)

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. The District notifies the Department of Employee Insurance (DEI) when an employee is no longer employed. DEI sends the employee the COBRA requirements.

NOTE N – TRANSFER OF FUNDS

The following transfers were made during the year.

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	1	2	KETS Matching	\$ 26,821
Operating	51	1	Indirect Cost	28,248
COFT	310	1	COFT	111,747
COFT	320	1	BFFT	99,558
Debt Service	320	400	Bond Payment	627,517
Operating	2	21	Activity Account	536

NOTE O – ON-BEHALF PAYMENTS

The financial statements include payments made by the Commonwealth of Kentucky for insurance, flexible spending, vocational and retirement benefits. The following amounts are included in each of the functions.

Health Insurance	\$ 1,060,620
Life Insurance	2,052
Administrative Fees	14,067
Health Reimbursement Account	87,763
Federal Reimbursement	(31,593)
KTRS	751,033
Technology On Behalf Payments	49,972
Debt Service On Behalf Payments	<u>55,023</u>
Total On-Behalf Payments	\$ 1,988,937

BRACKEN COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2015

NOTE P – DEPOSITS AND INVESTMENTS

Interest rate risk. In accordance with the District's investment policy, interest rate risk is limited by investing in public funds with the highest rate of return with the maximum security of principal. Investments are undertaken in a manner that seeks to ensure preservation of the capital in its portfolio.

Credit risk. The District's investment policy limits the types of authorized investment instruments to obligations of the United States, its agencies, and instrumentalities. In addition, certificates of deposit or bonds of a bank or the Commonwealth of Kentucky, securities issued by a state or local government or shares of mutual funds are acceptable investments.

Concentration of credit risk. The district may invest, at any one time, funds in any one of the above listed categories with no limitation of the total amount of funds invested on behalf of the District.

Custodial credit risk – deposits. For deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned. The District maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As allowed by law the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times. As of June 30, 2015, the District's deposits are entirely insured and/or collateralized with securities held by the financial institutions on the District's behalf and the FDIC insurance.

NOTE Q – KSBIT JUDGMENT

On June 4, 2014, the Franklin Circuit Court issued an order instructing the Rehabilitator to assess the former members of the Kentucky School Boards Insurance Trust. The District was assessed \$63,355 for Workers' Compensation and \$17,274 for Property and Liability Insurance. The District has elected to pay 25% by August 31, 2014 and the balance in equal installments for 6 years for the Workers' Compensation. The District has elected to pay 40% by September 15, 2014, and the balance in equal installments for 2 years for Property and Liability Insurance.

The following is a schedule by years of the future payments under the agreement.

Year Ending	<u>Amount</u>
<u>June 30,</u>	
2016	\$ 13,101
2017	13,102
2018	7,919
2019	7,919
2020	7,919
Thereafter	<u>7,921</u>
Total	\$ 57,881

BRACKEN COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2015

NOTE R – GASB 68 AND GASB 71

In March 2009, the Governmental Accounting Standards Board (GASB) approved Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement 68 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. In November 2013, the GASB approved Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which amends paragraph 137 of Statement 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. The provisions of the statement were adopted by the District for the fiscal year beginning July 1, 2014.

NOTE S – RETIREMENT PLANS

The following are payroll and retirement amounts for the years ended June 30, 2015, 2014, and 2013.

	2015	2014	2013
Total payroll	6,201,574	6,092,941	6,161,807
KTRS total payroll	4,961,567	4,830,615	4,816,575
CERS total payroll	1,194,211	1,158,659	1,331,782
Contribution requirement for CERS	274,388	279,978	316,429
District portion - CERS contribution	212,543	219,933	249,962
Employee portion - CERS contribution	61,845	60,045	66,467
KTRS contribution - Commonwealth of KY	751,033	599,388	596,203
KTRS contribution - District Federal Employees	44,593	47,123	89,631

NOTE T – GENERAL INFORMATION ABOUT THE PENSION PLANS

Teachers’ Retirement System of the State of Kentucky (KTRS)

Plan Description – Teaching-certified employees of the District are provided pensions through the Teachers’ Retirement System of the State of Kentucky (KTRS) – a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public education agencies in the state. KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS 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.

BRACKEN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2015

NOTE T – GENERAL INFORMATION ABOUT THE PENSION PLANS (continued)

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

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

Participants that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university members 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 members (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 members 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 services, including the first ten years. In addition, members who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 and 2.5% to 3% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for members 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. Members 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 members 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 members and \$5,000 for retired or disabled members.

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 members are required to contribute 12.105% of their salaries to the System. University members are required to contribute 9.895% of their salaries. KRS 161.580 allows each university to reduce the contribution of its members by 2.215%; therefore, university members contribute 7.68% of their salary to KTRS.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions of the amount 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. University employers contribute 15.36% of salaries of members. For local school district and regional cooperative members 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.

NOTE T – GENERAL INFORMATION ABOUT THE PENSION PLANS (continued)

Medical Insurance Plan

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

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

Funding policy – In order to fund the post-retirement healthcare benefit, six percent (6.00%) of the gross annual payroll of members before July 1, 2008 is contributed. Three percent (3.00%) is paid by member contributions and three quarters percent (.75%) from state 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 Kentucky School District did not report a liability for its proportionate share of the net pension liability because the State 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 State support, and the total portion of the net pension liability that was associated with the District were as follows:

State's proportionate share of the net pension liability associated with the District	<u>\$ 31,870,293</u>
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The net pension liability 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 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 0.1551 percent.

BRACKEN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2015

NOTE T – GENERAL INFORMATION ABOUT THE PENSION PLANS (continued)

District contributions subsequent to the measurement date of \$44,593 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

For the year ended June 30, 2015, the District recognized pension expense of \$751,033 and revenue of \$751,033 for support provided by the State on the District Wide financial statements. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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:

Investment rate of return	7.50%, net of pension plan investment expense, including inflation.
Projected salary increases	4.00 – 8.20%, including inflation
Inflation rate	3.50%
Municipal Bond Index Rate	4.35%
Single Equivalent Interest Rate	5.23%

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.

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.

BRACKEN COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2015

NOTE T – GENERAL INFORMATION ABOUT THE PENSION PLANS (continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by CERS's investment consultant, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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 - The discount rate used to measure the total pension liability was 5.23%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67. It was 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 members until the 2036 plan year and as a result, the Municipal Bond Index Rate was used in the determination of the Single Equivalent Interest Rate (SEIR). On the Prior Measurement Date, the long-term expected rate of return of 7.50% on Plan investments was applied to periods before 2036 and a municipal bond index rate of 4.27% was applied to periods on or after 2036, resulting in an SEIR of 5.16%. There was a change in the Municipal Bond Index Rate from the Prior Measurement Date to the Measurement Date, so as required under GASB 68, the SEIR at the Measurement Date of 5.23% was calculated using the Municipal Bond Index Rate as of the Measurement Date (4.35%). This change in the discount rate is considered a change in actuarial assumptions under GASB 68.

The following table presents the District's proportionate share of the net pension liability of the System, calculated using the discount rate of 5.23%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.23%) or 1-percentage-point higher (6.23%) than the current rate (\$ thousands):

	1% Decrease (4.23%)	Current Discount Rate (5.23%)	1% Increase (6.23%)
System's net pension liability	\$40,033	\$31,870	\$25,133

BRACKEN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2015

NOTE T – GENERAL INFORMATION ABOUT THE PENSION PLANS (continued)

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued KTRS financial report.

June 30, 2013 is the actuarial valuation date upon which the TPL is based. An expected TPL is determined as of June 30, 2014 using standard roll forward techniques. The procedure used to determine the TPL as of June 30, 2014 is shown on page 6 of the GASB 67 report for KTRS submitted on December 11, 2014.

Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense they are labeled deferred inflows. If they will increase pension expense they are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average expected remaining service life of the active and inactive Plan members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five year period.

KENTUCKY RETIREMENT SYSTEM
County Employees Retirement System (CERS)

Plan description: Substantially all full-time classified employees of the District participate in the County Employees Retirement System ("CERS"). CERS is a cost-sharing, multiple-employer, defined benefit pension plan administered by the Kentucky General Assembly. The plan covers substantially all regular full-time members employed in non-hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in the plan. The plan provides for retirement, disability and death benefits to plan members.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601, or by calling (502) 564-4646 or at <https://kyret.ky.gov>.

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

Contributions: Funding for CERS is provided by members who contribute 5% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions and by employers of members who contribute 17.67% of the member's salary. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

BRACKEN COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2015

NOTE T – GENERAL INFORMATION ABOUT THE PENSION PLANS (continued)

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2014. An expected total pension liability as of June 30, 2014 was determined using standard roll-forward techniques. The District's proportion of the net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2014. At June 30, 2014, the District's proportion was .050516%.

For the year ended June 30, 2015, the District recognized pension expense of \$131,000. At June 30, 2015, the District reported deferred outflows of resources for District contributions subsequent to the measurement date of \$212,543 and deferred inflows of resources related to pensions from the net difference between projected and actual earnings on pension plan investments in the amount of \$183,000.

District contributions subsequent to the measurement date of \$212,543 are reported as deferred outflows of resources and 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 of resources related to CERS will be recognized in pension expense as follows:

<u>Year</u>	
2016	\$ 36,600
2017	36,600
2018	36,600
2019	36,600
2020	<u>36,600</u>
	<u>\$ 183,000</u>

Actuarial Methods and Assumptions: The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2014. The financial reporting actuarial valuation as of June 30, 2014, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2014
Experience Study	July 1, 2005 – June 30, 2008
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	30 years
Asset Valuation Method	5-year smoothed market
Inflation	3.5%
Salary Increase	4.5%, average, including inflation
Investment Rate of Return	7.75%, net of pension plan investment expense, including inflation

BRACKEN COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2015

NOTE T – GENERAL INFORMATION ABOUT THE PENSION PLANS (continued)

The rates of mortality for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other members. The Group Annuity Mortality Table set forward five years is used for the period after disability retirement. The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for KRS. 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.

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 asset 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	30.0%	8.45%
International Equity	22.0%	8.85%
Emerging Market Equity	5.0%	10.50%
Private Equity	7.0%	11.25%
Real Estate	5.0%	7.00%
Core U.S. Fixed Income	10.0%	5.25%
High Yield Fixed Income	5.0%	7.25%
Non US Fixed Income	5.0%	5.50%
Commodities	5.0%	7.75%
TIPS	5.0%	5.00%
Cash	1.0%	3.25%
	<u>100.0%</u>	

BRACKEN COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2015

NOTE T – GENERAL INFORMATION ABOUT THE PENSION PLANS (continued)

Discount Rate: 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 members 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 assumed investment rate of return was applied to all periods of projected of benefit payments to determine the total pension liability.

The Schedule of Deferred Inflows and Outflows, and Pension Expense include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The Schedule does not include deferred outflows/inflows of resources for changes in the employer's proportionate share of contributions or employer contributions made subsequent to the measurement date. The net pension liability as of June 30, 2014, is based on the June 30, 2014, actuarial valuation for the first year of implementation. As a result, there are no differences between expected and actual experience or changes in assumptions subject to amortization. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75 %, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 %) or 1-percentage-point higher (8.75 %) than the current rate:

	1% Decrease (6.75%)	Current discount rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 2,156,815	\$ 1,639,000	\$ 1,181,499

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report which is publically available at <https://kyret.ky.gov>.

Payables to the pension plan: At June 30, 2015 the District had payables to CERS in the amount of \$0 for June's covered payroll with contributions required to be paid in July.

BRACKEN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2015

NOTE U – RESTATEMENT OF NET POSITION – DISTRICT WIDE

	Governmental	Proprietary
Deferred Outflows from Pension	\$ 223,515	\$ 43,541
Pension Liability	<u>(1,317,562)</u>	<u>(336,235)</u>
Restatement of beginning net position	<u>\$(1,094,047)</u>	<u>\$ (292,694)</u>

The District adopted GASB 68 and 71 during the fiscal year, recording their proportionate share of the pension plan liabilities.

SUPPLEMENTARY INFORMATION

BRACKEN COUNTY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
 For The Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Taxes	1,028,500	1,028,500	1,688,355	659,855
Other Local Sources	12,750	12,750	28,772	16,022
State Sources	5,346,304	6,971,121	7,182,358	211,237
Federal Returned	<u>12,000</u>	<u>12,000</u>	<u>25,594</u>	<u>13,594</u>
TOTAL REVENUES	6,399,554	8,024,371	8,925,079	900,708
EXPENDITURES				
Instruction	4,209,384	5,002,413	5,003,605	(1,192)
Support Services				
Student	447,341	541,431	531,059	10,372
Instructional Staff	252,305	267,973	262,158	5,815
District Administration	421,038	475,898	473,050	2,848
School Administration	522,914	625,315	624,337	978
Business	83,433	158,932	164,752	(5,820)
Plant Operation and Maintenance	649,801	764,060	787,430	(23,370)
Student Transportation	673,632	903,175	981,298	(78,123)
Community Services	500	500	410	90
Contingency	<u>353,956</u>	<u>499,424</u>		<u>499,424</u>
TOTAL EXPENDITURES	7,614,304	9,239,121	8,828,099	411,022
Excess (Deficit) of Revenues Over Expenditures	(1,214,750)	(1,214,750)	96,980	1,311,730
OTHER FINANCING SOURCES (USES)				
Sale of Equipment	2,500	2,500	385	(2,115)
Operating Transfers In	28,250	28,250	239,553	211,303
Operating Transfers Out	<u>(16,000)</u>	<u>(16,000)</u>	<u>(26,821)</u>	<u>(10,821)</u>
TOTAL OTHER FINANCING SOURCES (USES)	14,750	14,750	213,117	198,367
Excesss (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(1,200,000)	(1,200,000)	310,097	1,510,097
Fund Balance, July 1, 2014	<u>1,200,000</u>	<u>1,200,000</u>	<u>1,164,185</u>	<u>(35,815)</u>
Fund Balance, June 30, 2015	\$0	\$0	\$1,474,282	\$1,474,282

BRACKEN COUNTY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE FOR SPECIAL REVENUE
 For The Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable <u>(Unfavorable)</u>
REVENUES				
State Sources	\$357,567	\$388,033	\$404,656	16,623
Federal Sources	556,038	679,712	563,835	(115,877)
Local Sources	<u>0</u>	<u>0</u>	<u>8,235</u>	<u>8,235</u>
TOTAL REVENUES	913,605	1,067,745	976,726	(91,019)
EXPENDITURES				
Instruction	776,645	935,257	838,756	96,501
Support Services				
Student	294	500	10,871	(10,371)
Instructional Staff	64,143	60,469	61,881	(1,412)
District Administration	1,339	1,000	640	360
School Administration	10,247	8,417	11,427	(3,010)
Student Transportation	400	400	1,050	(650)
Community Service Operations	<u>76,537</u>	<u>77,702</u>	<u>78,386</u>	<u>(684)</u>
TOTAL EXPENDITURES	929,605	1,083,745	1,003,011	80,734
Excess (Deficit) of Revenues Over Expenditures	(16,000)	(16,000)	(26,285)	(10,285)
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	16,000	16,000	26,821	10,821
Operating Transfers Out	<u> </u>	<u> </u>	<u>(536)</u>	<u>(536)</u>
TOTAL OTHER FINANCING SOURCES (USES)	16,000	16,000	26,285	10,285
Excesss (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	0	0	0	0
Restricted Fund Balance, July 1, 2014	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Restricted Fund Balance, June 30, 2015	\$0	\$0	\$0	\$0

BRACKEN COUNTY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 As of June 30, 2015

	SEEK Capital Outlay Fund	Construction Fund	Debt Service Fund	Total
ASSETS AND RESOURCES				
Cash and equivalents	\$189,147	\$51,261	\$64	\$240,472
TOTAL ASSETS AND RESOURCES	\$189,147	\$51,261	\$64	\$240,472
FUND BALANCES				
Restricted - SFCC - Prior	\$188,180	\$	\$	\$188,180
Restricted - SFCC - Current	967			967
Restricted - Future Construction BG-1		51,261		51,261
Restricted - Debt Service			<u>64</u>	<u>64</u>
TOTAL FUND BALANCES	<u>189,147</u>	<u>51,261</u>	<u>64</u>	<u>240,472</u>
TOTAL LIABILITIES AND FUND BALANCES	\$189,147	\$51,261	\$64	\$240,472

BRACKEN 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	Construction Fund	Debt Service Fund	Total
REVENUES				
From local sources				
Interest	366	152	4	522
Intergovernmental-State	<u>112,347</u>	<u> </u>	<u>55,023</u>	<u>167,370</u>
TOTAL REVENUES	112,713	152	55,027	167,892
EXPENDITURES				
Building Construction		238,280		238,280
Debt Service		<u> </u>	<u>682,540</u>	<u>682,540</u>
TOTAL EXPENDITURES		238,280	682,540	920,820
Excess (deficit) revenues over expenditures	112,713	(238,128)	(627,513)	(752,928)
OTHER FINANCING SOURCES (USES)				
Operating transfers in			627,517	627,517
Operating transfers out	<u>(111,747)</u>		<u> </u>	<u>(111,747)</u>
TOTAL OTHER FINANCING SOURCES (USES)	(111,747)		627,517	515,770
Excess (deficit) revenues and other financing sources over expenditures and other financing uses	966	(238,128)	4	(237,158)
Restricted Fund Balance, July 1, 2014	<u>188,181</u>	<u>289,389</u>	<u>60</u>	<u>477,630</u>
Restricted Fund Balance, June 30, 2015	\$189,147	\$51,261	\$64	\$240,472

BRACKEN COUNTY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 SPECIAL REVENUE FUNDS
 As of June 30, 2015

	Special Revenue Fund	District Activity Fund	Total
ASSETS AND RESOURCES			
Cash and equivalents	\$0	\$100,490	\$100,490
Accounts receivable	<u>101,675</u>	<u>0</u>	<u>101,675</u>
TOTAL ASSETS	\$101,675	\$100,490	\$202,165
LIABILITIES			
Bank Overdraft	13,747		13,747
Accounts Payable	48		48
Unearned Revenue	<u>87,880</u>		<u>87,880</u>
TOTAL LIABILITIES	101,675		101,675
FUND BALANCES			
Restricted - Other		<u>100,490</u>	<u>100,490</u>
TOTAL FUND BALANCES	0	100,490	100,490
TOTAL LIABILITIES AND FUND BALANCES	\$101,675	\$100,490	\$202,165

BRACKEN COUNTY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 SPECIAL REVENUE FUNDS
 For The Year Ended June 30, 2015

	Special Revenue Fund	District Activity Fund	Total
REVENUES			
State Sources	\$404,656	\$	\$404,656
Federal Sources	563,835		563,835
Local Sources	<u>8,235</u>	<u>267,380</u>	<u>275,615</u>
TOTAL REVENUES	976,726	267,380	1,244,106
EXPENDITURES			
Instruction	838,756	256,472	1,095,228
Support Services			
Student	10,871		10,871
Instructional Staff	61,881		61,881
District Administration	640		640
School Administration	11,427		11,427
Student Transportation	1,050	28,385	29,435
Community Service Operations	<u>78,386</u>		<u>78,386</u>
TOTAL EXPENDITURES	1,003,011	284,857	1,287,868
Excess (Deficit) of Revenues Over Expenditures	(26,285)	(17,477)	(43,762)
OTHER FINANCING SOURCES (USES)			
Operating Transfers In	26,821	536	27,357
Operating Transfers Out	<u>(536)</u>		<u>(536)</u>
TOTAL OTHER FINANCING SOURCES (USES)	26,285	536	26,821
Excesss (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	0	(16,941)	(16,941)
Restricted Fund Balance, July 1, 2014	0	117,431	117,431
Restricted Fund Balance, June 30, 2015	\$0	\$100,490	\$100,490

BRACKEN COUNTY SCHOOL DISTRICT
 COMBINING STATEMENT OF NET POSITION
 SCHOOL ACTIVITY FUNDS
 As of June 30, 2015

	Bracken County High School	Bracken County Middle School	Taylor Elementary School	Total
ASSETS				
Cash and equivalents	\$21,062	\$7,470	\$5,862	\$34,394
Accounts receivable	<u>3,764</u>	<u>2,160</u>	<u>1,940</u>	<u>7,864</u>
TOTAL ASSETS	\$24,826	\$9,630	\$7,802	\$42,258
LIABILITIES				
Accounts payable	\$0	\$35	\$38	\$73
Due to student groups	<u>24,826</u>	<u>9,595</u>	<u>7,764</u>	<u>42,185</u>
TOTAL LIABILITIES	\$24,826	\$9,630	\$7,802	\$42,258

BRACKEN COUNTY SCHOOL DISTRICT
 COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS
 SCHOOL ACTIVITY FUNDS

For The Year Ended June 30, 2015

	Cash Balances		Receipts	Disbursement	Cash Balances June 30, 2015	Accounts		Due To Student Groups June 30, 2015
	July 1, 2014	June 30, 2014				Receivable June 30, 2015	Payable June 30, 2015	
Bracken County High School	\$26,230	\$241,378	\$246,546	\$21,062	\$3,764	\$0	\$24,826	
Bracken County Middle School	\$5,976	\$126,460	\$124,966	\$7,470	2,160	35	\$9,595	
Taylor Elementary School	<u>\$5,123</u>	<u>\$73,851</u>	<u>\$73,112</u>	<u>\$5,862</u>	<u>1,940</u>	<u>38</u>	<u>\$7,764</u>	
TOTAL ACTIVITY FUNDS	\$37,329	\$441,689	\$444,624	\$34,394	\$7,864	\$73	\$42,185	

BRACKEN COUNTY SCHOOL DISTRICT
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS
 BRACKEN COUNTY HIGH SCHOOL
 For The Year Ended June 30, 2015

	Cash Balances		Receipts	Disbursements	Transfers	Cash Balances		Accounts Receivable	Accounts Payable	DUE TO STUDENT GROUPS
	July 1, 2014	June 30, 2015				June 30, 2015	June 30, 2015			
Athletic Dept	\$616	\$27,092	\$27,693	\$0	\$15	\$0	\$0	\$0	\$15	
Art Club	32	50			82				82	
Band Dept	1,684	4,568	4,897		1,355				1,355	
Beta Club	39	878	899		18				18	
Cheerleaders	817	7,197	5,409		2,605				2,605	
Choral Music	329	4,299	4,456		172				172	
Class of 2015	1,765	6,036	6,302		1,499				1,499	
Class of 2016	1,640	1,774	2,793		621				621	
Class of 2017	960	920	41		1,839				1,839	
Class of 2018	0	760			760				760	
English	159		114		45				45	
F.B.L.A.	2,530	19,878	22,351		57	284			341	
F.C.A.	1,171	96	96		1,171				1,171	
F.C.C.L.A.	5,206	15,170	18,399	197	2,174	3,480			5,654	
F.E.A.	278	410	65	(410)	213				213	
F.F.A.	6,139	18,776	19,654	(350)	4,911				4,911	
French Club	369		315		54				54	
General Fund	1,003	16,637	16,661		979				979	
Home Economics	160	6,365	6,404	563	684				684	
Pep club	170	219			389				389	
Science Club	345	810	1,000		155				155	
Spanish Club	356				356				356	
Student Leadership Schola	0	585			585				585	
Teacher Lounge Vending	462	1,247	1,386		323				323	
SWEEP	0	107,611	107,611	0	0				0	
TOTAL	\$26,230	241,378	246,546	0	\$21,062	\$3,764	0	\$0	\$24,826	

BRACKEN COUNTY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Year Ended June 30, 2015

Federal Grantor/Passed-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass Through Grantor's Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed through Kentucky Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	7750002 14	\$76,660
National School Lunch Program	10.555	7750002 15	268,459
Commodities	10.555	510 4950	46,646
School Breakfast Program	10.553	7760005 14	34,854
School Breakfast Program	10.553	7760005 15	<u>112,215</u>
Total Child Nutrition Cluster			538,834
TOTAL U.S. DEPARTMENT OF AGRICULTURE			538,834
 <u>U.S. Department of Education</u>			
Passed through Kentucky Department of Education			
Improving America's School Act of 1994			
Title I, Part A Cluster			
Title I Grants to Local Educational Agencies	84.010	3100002 14	201,228
Title I Grants to Local Educational Agencies	84.010	3100002 12	10
Title I Grants to Local Educational Agencies	84.010	3100002 13	<u>50,096</u>
		subtotal	251,334
 Special Education Cluster (IDEA)			
Special Education-Grants to States (IDEA, Part B)	84.027	3810002 13	17,608
Special Education-Grants to States (IDEA, Part B)	84.027	3810002 12	50
Special Education-Grants to States (IDEA, Part B)	84.027	3810002 14	215,086
Special Education-Preschool Grants (IDEA, Preschool)	84.173	3800002 14	11,272
Special Education-Preschool Grants (IDEA, Preschool)	84.173	3800002 13	<u>5,587</u>
		subtotal	249,603
 Title VI, Rural Education	 84.358	 3140002 14	 5,566

The accompanying notes are an integral part of this schedule

BRACKEN COUNTY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Year Ended June 30, 2015

Federal Grantor/Passed-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass Through Grantor's Number	Federal Expenditures
<u>U.S. Department of Education</u>			
Passed through Kentucky Department of Education			
Vocation Education	84.048	3710002 14	12,431
Vocation Education	84.048	3710002 13	430
Vocation Education	84.048	4621310 13	<u>750</u>
		subtotal	13,611
Improving Teacher Quality State Grants	84.367	3230002 14	4,229
Improving Teacher Quality State Grants	84.367	3230002 13	<u>18,480</u>
		subtotal	22,709
Pass Through Education and Workforce Development Cabinet Office of Vocational Rehabilitation			
Adult Education, Community Based Work Transition	84.002	3714	1,800
Adult Education, Community Based Work Transition	84.002	371A	<u>19,212</u>
		subtotal	21,012
TOTAL U.S. DEPARTMENT OF EDUCATION			563,835
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$1,102,669

The accompanying notes are an integral part of this schedule

BRACKEN COUNTY SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2015

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Bracken County School District (the "District") under programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States and Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Note 3 – Food Distribution

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities disbursed, totaling \$46,646.

BRACKEN COUNTY SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 For The Year Ended June 30, 2015

	2015
District's proportion of the net pension liability (asset)	
KTRS	\$0
CERS	<u>\$1,639,000</u>
Total	\$1,639,000
District's proportionate share of the net pension liability (asset)	
KTRS	0
CERS	0.050516%
State's proportionate share of the net pension liability (asset) associated with the District	
KTRS	\$31,870,293
District's covered employee payroll	
KTRS	\$4,961,567
CERS	\$1,194,211
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	
KTRS	0
CERS	137.25%

Note: The schedule is intended to show information for the last 10 fiscal years.
 Additional years will be displayed as they become available.

BRACKEN COUNTY SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT PENSION CONTRIBUTIONS
 For The Year Ended June 30, 2015

	2015	2014	2013
Contractually required contributions			
KTRS	\$751,033	\$599,388	\$596,203
CERS	<u>\$218,920</u>	<u>\$212,543</u>	<u>\$219,933</u>
Total	\$969,953	\$811,931	\$816,136
Contributions in relation to the contractually required contribution			
KTRS	\$751,033	\$599,388	\$596,203
CERS	<u>\$218,920</u>	<u>\$212,543</u>	<u>\$219,933</u>
Total	\$969,953	\$811,931	\$816,136
Contribution deficiency (excess)			
KTRS	\$0	\$0	\$0
CERS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total	\$0	\$0	\$0
District's covered employee payroll			
KTRS	\$4,961,567	\$4,830,615	\$4,816,575
CERS	<u>\$1,194,211</u>	<u>\$1,158,659</u>	<u>\$1,331,782</u>
Total	\$6,155,778	\$5,989,274	\$6,148,357
Contributions as a percentage of covered employee payroll			
KTRS	15.14%	12.41%	12.38%
CERS	18.33%	18.34%	16.51%

Note: The schedule is intended to show information for the last 10 fiscal years.
 Additional years will be displayed as they become available.

BRACKEN COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For The Year Ended June 30, 2015

Changes of benefit terms

KTRS - none

CERS - none

Changes of assumptions

KTRS - In the 2011 valuation and later, the expectation of retired life mortality was changed to the RP - 2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2011. In the 2011 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2011 valuation, the KTRS Board adopted an interest smoothing methodology to calculate liabilities for purposes of determining the actuarially determined contributions.

CERS - none

**DENISE M. KEENE
CERTIFIED PUBLIC ACCOUNTANT
P.O. BOX 1444
GEORGETOWN, KENTUCKY 40324
502-857-2579**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE
FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(for a Governmental Entity)**

**(No Material Weaknesses Identified, No Significant Deficiencies Identified, and
No Reportable Instances of Noncompliance, or Other Matters Identified)**

Independent Auditor's Report

State Committee For School District Audits
Members of the Board of Education
Bracken County School District
Brooksville, Kentucky

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the provisions of Office of Management and Budget Circular A-133, Audits of States and Local Governments, and Non-profit Organizations, and the audit requirement prescribed by the Kentucky Committee for School District Audits, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Bracken 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 Board's basic financial statements, and have issued our report thereon dated November 6, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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.

I noted certain matters that I reported to management of the District in a separate letter dated November 6, 2015.

Denise M. Keene

Denise M. Keene, CPA
Georgetown, Kentucky
November 6, 2015

**DENISE M. KEENE
CERTIFIED PUBLIC ACCOUNTANT
P.O. BOX 1444
GEORGETOWN, KENTUCKY 40324
502-857-2579**

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133
(Unmodified Opinion on Compliance for each Major Program; No Material Weaknesses or
Significant Deficiencies in Internal Control Over Compliance Identified)

INDEPENDENT AUDITOR'S REPORT

State Committee For School District Audits
Members of the Board of Education
Bracken County School District
Brooksville, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Bracken County School District's (the "District") compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the audit requirements prescribed by the Kentucky Committee for School District Audits. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

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

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

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

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

We have audited the financial statements of Bracken County School District as of and for the year ended June 30, 2015, and have issued our report thereon dated November 6, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of

the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Denise M. Keene

Denise M. Keene, CPA
Georgetown, Kentucky
November 6, 2015

BRACKEN COUNTY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For The Year Ended June 30, 2015

Section I – Summary of Auditor’s Results

Financial Statements

An unmodified opinion was issued on the financial statements.

Internal control over financial reporting

Material weakness(es) identified? yes no

Significant deficiency(s) identified that are not
 considered to be material weakness(es)? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes no

Significant deficiency(s) identified that are not
 Considered to be material weakness(es)? yes none reported

An unmodified opinion was issued on compliance for all major programs.

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

Identification of major programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.173	Special Education Cluster
84.010	Title I Grants to Local Educational Agencies

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? yes no

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

BRACKEN COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For The Year Ended June 30, 2015

PRIOR YEAR – FINANCIAL STATEMENT FINDINGS

None were reported last year

PRIOR YEAR – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None were reported last year

MANAGEMENT LETTER

**DENISE M. KEENE
CERTIFIED PUBLIC ACCOUNTANT
P.O. BOX 1444
GEORGETOWN, KENTUCKY 40324
502-857-2579**

Bracken County Board of Education
Brooksville, Kentucky

We have audited the financial statements of the Bracken County School District for the year ended June 30, 2015 and have issued our report thereon dated November 6, 2015. As part of our audit, we made a study and evaluation of the District's system of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the District's financial statements. Our study and evaluation was more limited than would be necessary for expressing an opinion on the system of internal accounting control taken as a whole.

The management of the Bracken County School District is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors, or irregularities may nevertheless occur and not be detected. Also, projections of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system of internal accounting control. Accordingly, we do not express an opinion on the system of internal accounting control of the Bracken County School District taken as a whole. Our study and evaluation disclosed no condition that we believe to be a material weakness.

The following items from last year's management letter points were corrected during the current fiscal year as outlined in the District's response: 2014-001, 2014-002, 2014-003, 2014-004, 2014-005, 2014-007, 2014-008, 2014-009, 2014-011.

The following items from last year's management letter points were not corrected: 2014-006, 2014-010.

Denise M. Keene, CPA
November 6, 2015

CURRENT YEAR MANAGEMENT POINTS

2015-001

Board members are not signing their expense reports. Expense reports for board members should be signed by them to verify the information is accurate before they are paid.

Management's response:

This has been corrected since it was brought to our attention. Board members will sign vouchers at the board meeting the month before they are to be paid.

2015-002

All expense reimbursements for staff should be approved by a supervisor. Testing disclosed the food service director did not have a supervisor approve her expenses for a conference charged to the credit card.

Management's response:

This will be corrected on all future travel expenses.

BRACKEN COUNTY HIGH SCHOOL – NO COMMENTS

BRACKEN COUNTY MIDDLE SCHOOL

2015-003

The Red Book states, "The principal shall not be the vendor on a purchase order.." There were three (3) checks written to the principal during the year. The principal should not be the vendor on any check.

Management's response:

BCMS will no longer have the school principal as a vendor on a purchase order or any check.

2015-004

According to the Red Book, the principal should review the bank statement each month and sign and date the front page after review. The principal is not signing and dating the bank statement each month.

Management's response:

We have, in the past, had the principal initial and date the bank statement on the back of the statement where the reconciliation was done for the month. We will now have the principal sign the front of the statement.

2015-005

The school paid the clockkeeper from a purchase order. A standard invoice should have been completed with the clockkeeper signing the standard invoice.

Management's response:

We will use a standard invoice when paying individuals so there will be a place for them to sign as vendor.

TAYLOR ELEMENTARY SCHOOL

2015-006

Testing disclosed one (1) check with only one signature. According to Board policy, "Two (2) signatures shall be required on each check drawn against internal accounts." I recommend a procedure be put into place to assure all checks have two signatures before they are distributed. **This is a repeat finding from last year.**

Management's response:

Treasurer writes the checks and has the principal sign first and then double checks and signs her part before the check is mailed/distributed. On this particular one, treasurer went ahead and signed so principal could sign her part and then take it since she was the vendor (write up #2). This check was just bad all around. Treasurer will stick to the procedure of principal signing first and then double check on every check.

2015-007

According to the new Red Book, "the principal shall not be the vendor on a purchase order." A review of vendors paid disclosed the principal was the vendor on 5 checks. The principal should not be the vendor on any check. **This is a repeat finding from last year.**

Management's Response:

Checks written to principal were reimbursements from the staff activity account. It was for things she bought for staff. Treasurer will contact auditor to find out who to make checks to when principal picks up, or if principal should not pick things up at all.

2015-008

According to the Red Book, the principal should review the bank statement each month and sign and date the front page after review. The principal is not signing and dating the bank statement each month.

Management's response:

Current principal has never signed and dated the bank statement. But will start right away.

2015-009

According to the Red Book, "two people (ticket seller, ticket taker) are required to work the gate." Testing disclosed only one person worked the gate. There should be two people working the gate for all events.

Management's response:

This was the first year Taylor had to do ticket sales since PTO is now under the district. The only admission ticket sales we had to do was the Fall Festival. There were two people at each gate, but only one signed the forms. From now on, both people seated will sign the form.

2015-010

The school used a SWEEP account during the year to collect District Activity Funds and transfer to the Central Office. However there were inappropriate activity in the account. The account had transfers into and out of the account to school activity accounts. Invoices were paid directly from the SWEEP account. These things should not occur. Money should be deposited directly into the account and then be swept to the Central Office at the end of each month. No other activity should occur in the account.

Management's response:

Treasurer looked back at records. There were transfers made, but no checks written other than the SWEEP check to the board office. The transfers were made due to NSF checks and when the teachers get their portion of the Fall Festival money. Since the SWEEP account was new, treasurer didn't realize the transfers couldn't be made that way. Treasurer talked with Finance Director and she explained that she could do those transfers on her end. She also explained to take NSF's out of general activity instead of SWEEP and replace it into general with the check was paid. Once Finance Director explained that, no more transfers were made from SWEEP.