

CALDWELL COUNTY SCHOOL DISTRICT
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

**CALDWELL COUNTY SCHOOL DISTRICT
TABLE OF CONTENTS**

Introductory Section

Board of Education and Administrative Staff

Financial Section

Independent Auditors' Report 1

Management's Discussion and Analysis 4

Government – Wide Financial Statements

Statement of Net Position 13

Statement of Activities 14

Governmental Funds Financial Statements

Balance Sheet – Governmental Funds 15

Reconciliation of the Balance Sheet – Governmental Funds to the
Statement of Net Position 16

Statement of Revenues, Expenditures and Changes in Fund
Balances – Governmental Funds 17

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities 18

Proprietary Funds Financial Statements

Statement of Net Position – Proprietary Funds 19

Statement of Revenues, Expenses and Changes in Net
Position – Proprietary Funds 20

Statement of Cash Flows – Proprietary Funds 21

Fiduciary Funds Financial Statements

Statement of Fiduciary Net Position 23

Notes to Financial Statements 24

**CALDWELL COUNTY SCHOOL DISTRICT
TABLE OF CONTENTS**

Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	54
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Special Revenue	55
Note to Required Supplementary Information	56
Defined Benefit Plans	
CERS – Schedule of Proportionate Share of Net Pension Liability	57
CERS – Schedule of Employer Contributions to Pension Plan	58
KTRS – Schedule of Proportionate Share of Net Pension Liability	59
KTRS – Schedule of Employer Contributions to Pension Plan	60
Note to Required Supplementary Information – Pension Plans	61

Other Supplementary Information

Combining Balance Sheet – Nonmajor Governmental Funds	62
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	63
Combining Statement of Revenues and Expenditures – Agency Funds	64
Schedule of Expenditures of Federal Awards	67
Notes to the Schedule of Expenditures of Federal Awards	68

Internal Control and Compliance Section

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	69
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	71
Schedule of Findings and Questioned Costs	73
Summary Schedule of Prior Year Audit Findings	74
Independent Auditors' Transmittal Letter for Management Letter Comments	75
Management Letter Comments	76

**CALDWELL COUNTY SCHOOL DISTRICT
JUNE 30, 2015**

BOARD OF EDUCATION

Mike Traylor, Chairman
Tim Kennaday, Vice Chairman
Kim Jackson, Member
William Clift, II, Member
Suan Knight, Member

ADMINISTRATIVE STAFF

Carrell Boyd, Superintendent
Tammy Easley, Finance Officer

MICHAEL A. KEM, CPA
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ANNA B. GENTRY, CPA
WALTER G. CUMMINGS, CPA



INDEPENDENT AUDITORS' REPORT

Kentucky State Committee
for School District Audits
Members of the Board of Education
Caldwell County School District
Princeton, 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 Caldwell County School District (the "District") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*. 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 District 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.

Change in Accounting Principle

As discussed in Note 16 to the financial statements, in fiscal year 2015, the District adopted GASB 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and GASB 50, *Pension Disclosures*. 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 and budgetary comparison information and pension schedules on pages 4–12, 54–56, and 57-61 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 District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and combining and individual school activity fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, combining agency funds and individual school activity fund financial statements, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic

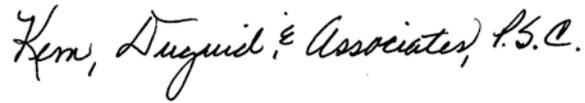
financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, combining agency fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Caldwell County School District's internal control over financial reporting and compliance.

Kem, Duguid & Associates, P.S.C.

Handwritten signature in cursive script that reads "Kem, Duguid & Associates, P.S.C."

Certified Public Accountants
Hopkinsville, Kentucky

November 3, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CALDWELL COUNTY SCHOOL DISTRICT – PRINCETON, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

As management of the Caldwell County School District (the “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 ending cash balance for the District was \$5,329,249, as compared with the beginning cash balance of \$5,583,293. The ending cash balance consisted of General Fund of \$4,064,996, Special Revenue Fund of \$231,292, non-major governmental funds of \$387,421, Enterprise Funds of \$247,583, School Activity Funds of \$295,451 and Agency Funds of \$2,506.
- Total government-wide net position decreased by \$4,035,750 (includes \$3,832,999 for GASB 68 adjustment) for the fiscal year ended June 30, 2015. Total long-term obligations had a net increase of \$3,302,311, while the unrestricted net position decreased \$3,836,614 and restricted net position decreased \$188,710.
- The General Fund had \$14,779,460 in revenues, which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes, and on-behalf payments for fringe benefits from the Commonwealth of Kentucky. General Fund revenues decreased \$44,117 in comparison to prior year revenues of \$14,823,577. Excluding interfund transfers, there were \$14,875,250 in General Fund expenditures. This compares to \$14,244,738 in General Fund expenditures for the prior year.
- The financial statements reflect a total of \$3,177,464 of revenues and aid from the state for payments made by the state on-behalf of district employees for retirement contributions, health insurance and technology. A like amount of expenses is also recorded in the financial statements.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-wide financial statements – The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District’s assets and deferred outflows of resources and liabilities and deferred inflows. All of the current year’s revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

**CALDWELL COUNTY SCHOOL DISTRICT – PRINCETON, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

The two government-wide statements report the District’s net position and how it has changed. Net position – the difference between the District’s assets and deferred outflows, and liabilities and deferred inflows – is one way to measure the District’s financial health or position.

- Over time, increases or decreases in the District’s net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, the reader needs to consider additional non-financial factors such as changes in the District’s property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, all the District’s activities are reported as governmental activities.

- Governmental activities – All of the District’s basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of the activities.

The fund financial statements provide more detailed information about the District’s *funds*, focusing on its most significant or “major” funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like federal grants).

The District has three kinds of funds:

- *Governmental funds* – Most of the District’s basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, the District provides additional information with the governmental funds statements that explain the relationship (or differences) between them.
- *Proprietary funds* – The District’s proprietary funds are food service and school age childcare. The proprietary fund statements are the same as the business-type activities in the government-wide statements, but provide more detail and additional information, such as cash flows.

**CALDWELL COUNTY SCHOOL DISTRICT – PRINCETON, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

- *Fiduciary funds* – The District is fiduciary for assets that belong to others and is responsible for ensuring that assets reported in the fiduciary funds are used only for their intended purposes. The District’s fiduciary funds consist of student activities funds and the West Kentucky Munis Corporation. These funds are excluded from the government-wide financial statements because the assets cannot be used to finance the operations of the District.

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

Other information – In addition to the basic financial statements and accompanying notes, this report also provides certain required supplementary information, as well as combining and individual fund statements and schedules beginning on page 62.

GOVERNMENT WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets exceeded liabilities by \$12,116,829 as of June 30, 2015.

A significant portion of the District’s net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, and furniture and equipment) less any outstanding related debt used to acquire those assets. 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.

**CALDWELL COUNTY SCHOOL DISTRICT – PRINCETON, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

Following is a summary of the District’s government-wide net position for the fiscal years ended June 30, 2015 and 2014:

	Governmental Activities		Business-type Activities		District Total	
	2015	2014	2015	2014	2015	2014
Assets:						
Current assets						
and other assets	\$ 5,038,669	\$ 5,204,349	\$ 256,767	\$ 277,080	\$ 5,295,436	\$ 5,481,429
Capital assets	20,073,215	20,601,002	388,805	397,476	20,462,020	20,998,478
Total assets	25,111,884	25,805,351	645,572	674,556	25,757,456	26,479,907
Deferred outflows	380,103	-	57,551	-	437,654	-
Liabilities:						
Current liabilities	1,026,923	906,200	1,274	5,355	1,028,197	911,555
Noncurrent obligations	12,203,622	9,399,759	514,462	16,014	12,718,084	9,415,773
Total liabilities	13,230,545	10,305,959	515,736	21,369	13,746,281	10,327,328
Deferred inflows	288,342	-	43,658	-	332,000	-
Net Position:						
Investment in capital assets, net of related debt	11,538,215	11,539,970	388,805	397,476	11,927,020	11,937,446
Restricted	487,421	676,131	-	-	487,421	676,131
Unrestricted	(52,536)	3,283,291	(245,076)	255,711	(297,612)	3,539,002
Total net position	\$ 11,973,100	\$ 15,499,392	\$ 143,729	\$ 653,187	\$ 12,116,829	\$ 16,152,579

Change in net position. The District’s governmental activities net position decreased by \$3,526,292. The components of the net change are a current year decrease of \$197,332 and a prior period adjustment of (\$3,328,960) for the implementation of GASB 68. The business-type activities net position decreased by \$509,458. The components of the net change are a current year decrease of \$5,419 and a prior period adjustment of (\$504,039) for the implementation of GASB 68.

The Kentucky School Facilities Construction Commission (SFCC) makes direct payments of principal and interest on District bonds issued for construction of facilities. The bonds payable are included in the long-term obligations of the District, and the payments are recorded as revenue from the State. The result is an increase in net position from the direct payment of principal and interest by the SFCC of \$103,302. Another increase is the expenditure of current revenues on capital assets, an expenditure that does not reduce net position on the government-wide statements.

The District’s financial position is the product of many factors. For example, the determination of the District’s investment in capital assets, net of related debt involves many assumptions and estimates, such as current and accumulated depreciation amounts. Changes in variables such as estimated depreciable lives or capitalization policies may produce significant differences in the calculated amounts.

**CALDWELL COUNTY SCHOOL DISTRICT – PRINCETON, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

Following is a summary of schedule of changes in the District's net position for the years ended June 30, 2015 and 2014:

Changes in Net Position for the Fiscal Years Ended June 30, 2015 and 2014

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>District Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues:						
Program revenues:						
Operating grants and contributions	\$ 1,937,349	\$ 2,012,509	\$ 764,965	\$ 779,847	\$ 2,702,314	\$ 2,792,356
Charges for services	-	-	255,073	277,044	255,073	277,044
General revenues:						
Property taxes	1,830,334	1,831,326	-	-	1,830,334	1,831,326
Other taxes	1,642,382	1,888,072	-	-	1,642,382	1,888,072
Investment earnings	99,944	189,588	367	636	100,311	190,224
State aid	12,115,506	11,804,848	99,103	98,715	12,214,609	11,903,563
Other local revenues	43,084	36,111	-	-	43,084	36,111
Other	11,975	(280)	-	(49)	11,975	(329)
Total revenues	<u>17,680,574</u>	<u>17,762,174</u>	<u>1,119,508</u>	<u>1,156,193</u>	<u>18,800,082</u>	<u>18,918,367</u>
Expenses:						
Instruction	10,344,577	10,301,379	-	-	10,344,577	10,301,379
Support services:						
Student	728,903	730,729	-	-	728,903	730,729
Instructional support	382,974	355,443	-	-	382,974	355,443
District administration	661,506	733,169	-	-	661,506	733,169
School administration	1,052,837	996,614	-	-	1,052,837	996,614
Business support	662,663	596,850	-	-	662,663	596,850
Plant operations	2,277,210	2,112,072	-	-	2,277,210	2,112,072
Student transportation	1,247,645	1,282,281	-	-	1,247,645	1,282,281
Community services	195,470	172,859	-	-	195,470	172,859
Interest on long-term debt	315,503	342,452	-	-	315,503	342,452
Amortization	11,032	22,065	-	-	11,032	22,065
Food service	-	-	1,084,364	1,127,742	1,084,364	1,127,742
Other enterprise	-	-	40,563	45,214	40,563	45,214
Transfers	(2,414)	3,553	-	-	(2,414)	3,553
Total expenses	<u>17,877,906</u>	<u>17,649,466</u>	<u>1,124,927</u>	<u>1,172,956</u>	<u>19,002,833</u>	<u>18,822,422</u>
Increase (Decrease) in net position	<u>\$ (197,332)</u>	<u>\$ 112,708</u>	<u>\$ (5,419)</u>	<u>\$ (16,763)</u>	<u>\$ (202,751)</u>	<u>\$ 95,945</u>

**CALDWELL COUNTY SCHOOL DISTRICT – PRINCETON, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

FINANCIAL ANALYSIS OF THE DISTRICT’S GOVERNMENTAL FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds – The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District’s governmental funds reported combined ending fund balances of \$4,573,263 a decrease of \$355,725 in comparison with the prior year. The following schedule indicates the fund balances and the total changes in fund balances by major fund and other governmental (nonmajor) funds as reported in the basic financial statements for the fiscal years ended June 30, 2015 and 2014.

The main sources of the General Fund’s revenues are state aid in the form of SEEK allocations and locally assessed taxes. The majority of the District’s activities are accounted for in the General Fund. The Special Revenue Fund consists of grant revenues, mostly state funds and federal funds administered through the state and expenditures of those grants for specific programs in accordance with the grants’ guidelines.

The SEEK Capital Outlay Fund’s revenues are derived from state SEEK allowances based upon student enrollment. The FSPK Building Fund’s revenues are produced by a five-cent property tax equivalent. The use of both funds’ resources is generally restricted to facilities acquisition or improvement and payment of the related debt on facilities. The Construction Fund is used to account for facility construction and improvement projects funded by other funds or borrowing.

The Debt Service Fund is used to account for all activities related to long-term bond obligations.

**CALDWELL COUNTY SCHOOL DISTRICT – PRINCETON, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

Following is a summary of fund balances for the fiscal years ended June 30, 2015 and 2014:

Governmental Funds Balances as of June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>
Governmental Funds			
General Fund	\$ 4,185,842	\$ 4,152,032	\$ 33,810
Special Revenue Fund	-	-	-
Building Fund	-	-	-
Capital Outlay	-	121,379	(121,379)
Construction Fund	387,325	231,762	155,563
Debt Service Fund	96	423,815	(423,719)
	<u>96</u>	<u>423,815</u>	<u>(423,719)</u>
Total governmental funds	<u>\$ 4,573,263</u>	<u>\$ 4,928,988</u>	<u>\$ (355,725)</u>

General Fund – The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$3,486,975, while total fund balance reached \$4,185,842. As a measure of the General Fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures. Unassigned fund balance represents 23.44% of total General Fund expenditures, while total fund balance represents 28.14% of that same amount.

During the current fiscal year, the total fund balance of the General Fund increased by \$33,810. Revenues and transfers totaling \$14,950,882 increased by \$127,141, while expenditures and transfers totaling \$14,917,072 increased by \$639,802.

**CALDWELL COUNTY SCHOOL DISTRICT – PRINCETON, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

GENERAL FUND BUDGETARY HIGHLIGHTS

In accordance with directives from the Kentucky Department of Education (DOE) and Kentucky law, the District’s funds budgets are prepared to account for most transactions on a cash receipt/cash disbursement/encumbrance basis. The DOE requires a budget in which any budgeted remaining fund balance is shown as a contingency expense and any amounts being accumulated for other purposes ultimately shown as unspent or over-budgeted expenditures. By law, the budget must have a minimum 2% contingency. The District adopted a General Fund budget with a contingency of (\$1,350,914) or 7.9%. Over the course of the year, the District revises the annual operating budget as circumstances dictate or as required by DOE.

Local revenues are budgeted conservatively resulting in a favorable variance of local revenues for the year.

- The District’s total revenues for General Fund activities for the fiscal year ended June 30, 2015, net of interfund transfers and beginning balances were \$14,779,460; compared to the total budgeted revenues of \$14,190,706.
- The District’s total expenditures for General Fund activities for the fiscal year ended June 30, 2015, net of interfund transfers, were \$14,875,250; compared to the total budgeted expenditures of \$17,740,980.
- The fund balance at the end of the 2015 fiscal year for all Governmental Funds was \$4,573,263 compared to \$4,928,988 in the prior year.

Significant Board action that impacts the District’s finances includes the award of multiple contracts and salary increases mandated by the Legislature.

Fund 2 is made up of state, local, and federal grants. These grants include Title I, No Child Left Behind Funding, Preschool, Special Education funding, and others. These funds have restricted use, according to the guidelines for each. Expenses include salaries and benefits, supplies, and transportation.

Funds 310 and 320 are restricted funds for capital projects. The State contributes to Fund 310.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets – At June 30, 2015, the District had \$20,462,020 invested in capital assets net of depreciation: historical costs totaled \$38,102,156 with accumulated depreciation totaling \$17,640,136. These assets include school, athletic, and support facilities, as well as technology, food service, and other equipment. Expenditures for acquisitions and improvements during the year totaled \$742,513. Depreciation charged to expense during the year totaled \$1,267,939, the majority of which was charged to governmental functions. More detailed information relating to capital assets may be found in Note 3 to the financial statements.

**CALDWELL COUNTY SCHOOL DISTRICT – PRINCETON, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

Following is a summary of capital assets, net of depreciation, for the fiscal years ended June 30, 2015 and 2014.

Net Capital Assets for the Fiscal Years Ended June 30, 2015 and 2014

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>District Total</u>	
	2015	2014	2015	2014	2015	2014
Land	\$ 312,306	\$ 261,197	\$ -	\$ -	\$ 312,306	\$ 261,197
Land improvements	243,430	218,653	-	-	243,430	218,653
Construction in progress	371,006	-	-	-	371,006	-
Building and improvements	17,837,419	18,681,979	336,397	336,397	18,173,816	19,018,376
Technology equipment	117,442	225,098	581	1,468	118,023	226,566
General equipment	201,174	218,174	-	-	201,174	218,174
Vehicles	990,438	984,869	-	-	990,438	984,869
Property under capital lease	-	11,032	-	-	-	11,032
Food service equipment	-	-	51,827	59,611	51,827	59,611
Total	<u><u>\$ 20,073,215</u></u>	<u><u>\$ 20,601,002</u></u>	<u><u>\$ 388,805</u></u>	<u><u>\$ 397,476</u></u>	<u><u>\$ 20,462,020</u></u>	<u><u>\$ 20,998,478</u></u>

Long-Term Debt – The District’s long-term general obligation bonds outstanding at June 30, 2015 were \$8,535,000. Of that amount, the Kentucky SFCC has agreed to make a portion of the principal and interest payment under agreements previously described. Though the District is liable for the full amount of the bonds and the full amount is recorded on the financial statements, the SFCC has agreed to pay \$724,409 of the bonds leaving the District to pay \$7,810,591. The liability for compensated absences remained steady for the fiscal year. Other long-term obligations, a copier lease, will decrease as the lease is paid down.

The State must approve the issuance of any new bonds of the District.

More detailed information about the District’s long-term liabilities may be found in Note 4 to the financial statements.

OUTLOOK FOR THE FUTURE

The most crucial aspect in the financial future of the District is continued adequate funding from the state. The District’s major source of revenue is state aid, primarily Kentucky SEEK funding.

The District’s financial position is contingent upon legislation and factors related to property taxation in conjunction with decisions made by the District’s Board management. The District remains committed to utilizing resources to provide the maximum benefit to students and provide them with a quality education. This involves closely monitoring legislation and seeking new sources of revenues through grant writing, etc.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District’s finances, comply with finance-related laws and regulations, and demonstrate the District’s commitment to public accountability. If you have any questions about this report or would like to request additional information, contact the Superintendent or District finance personnel (270) 365-8000 or by Post Office Box 229 Princeton, Kentucky 42445.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**CALDWELL COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015**

	Governmental Activities	Business- Type Activities	Total
Assets			
Cash and cash equivalents	\$ 4,683,709	\$ 247,583	\$ 4,931,292
Accounts receivable:			
Taxes	32,312	-	32,312
Other	409	1,085	1,494
Intergovernmental - indirect federal	222,239	-	222,239
Inventories	-	8,099	8,099
Restricted cash and cash equivalents	100,000	-	100,000
Capital assets:			
Non-depreciable	683,312	-	683,312
Depreciable (net)	19,389,903	388,805	19,778,708
Total assets	25,111,884	645,572	25,757,456
Deferred Outflows of Resource			
Deferred pension amounts	380,103	57,551	437,654
Total deferred outflows of resources	380,103	57,551	437,654
Liabilities			
Accounts payable	11,875	530	12,405
Unearned revenue	453,531	-	453,531
Accrued interest	70,406	-	70,406
Long-term obligations:			
Portion due or payable within one year:			
Bonds payable	430,000	-	430,000
Compensated absences	61,111	744	61,855
Portion due or payable after one year:			
Bonds payable	8,105,000	-	8,105,000
Compensated absences	800,059	15,025	815,084
Net pension liability	3,298,563	499,437	3,798,000
Total liabilities	13,230,545	515,736	13,746,281
Deferred inflows of Resources			
Deferred pension amounts	288,342	43,658	332,000
Total deferred inflows of resources	288,342	43,658	332,000
Net Position			
Invested in capital assets, net of related debt	11,538,215	388,805	11,927,020
Restricted for			
Accumulated sick leave	100,000	-	100,000
Future construction	387,325	-	387,325
Debt service	96	-	96
Unrestricted	(52,536)	(245,076)	(297,612)
Total net position	\$ 11,973,100	\$ 143,729	\$ 12,116,829

See accompanying notes to financial statements

**CALDWELL COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Functions/Programs	Program Revenues			Net (Expenses) Revenues	
	Expenses	Charges for Services	Operating Grants & Contributions		Capital Grants & Contributions
Governmental Activities:					
Current:					
Instruction	\$ 10,344,577	\$ -	\$ 1,937,349	\$ -	\$ (8,407,228)
Support services:					
Student	728,903	-	-	-	(728,903)
Instructional staff	382,974	-	-	-	(382,974)
District administration	661,506	-	-	-	(661,506)
School administration	1,052,837	-	-	-	(1,052,837)
Business	662,663	-	-	-	(662,663)
Plant operations and maintenance	2,277,210	-	-	-	(2,277,210)
Student transportation	1,247,645	-	-	-	(1,247,645)
Community service activities	195,470	-	-	-	(195,470)
Interest on long-term debt	315,503	-	-	-	(315,503)
Amortization - unallocated	11,032	-	-	-	(11,032)
Total governmental activities	17,880,320	-	1,937,349	-	(15,942,971)
Business-Type Activities:					
Food service	1,084,364	231,000	764,965	-	(88,399)
Other enterprise	40,563	24,073	-	-	(16,490)
Total business-type activities	1,124,927	255,073	764,965	-	(104,889)
Total activities	\$ 19,005,247	\$ 255,073	2,702,314	-	(16,047,860)
			Governmental Activities	Business-Type Activities	Total
Changes in Net Position					
Net revenues (expenses)			(15,942,971)	(104,889)	(16,047,860)
General Revenues					
Taxes:					
Property			1,830,334	-	1,830,334
Motor vehicle			463,319	-	463,319
Utilities			942,915	-	942,915
Other			236,148	-	236,148
Investment earnings			99,944	367	100,311
Other local revenue			43,084	-	43,084
State aid - formula grants			12,115,506	99,103	12,214,609
Gain (loss) on sale of fixed assets			11,975	-	11,975
Transfers			2,414	-	2,414
Total general revenues			15,745,639	99,470	15,845,109
Change in net position			(197,332)	(5,419)	(202,751)
Net position, July 1, 2014			15,499,392	653,187	16,152,579
Implementation of GASB 68 (Note 16)			(3,328,960)	(504,039)	(3,832,999)
Net position, July 1, 2014, restated			12,170,432	149,148	12,319,580
Net position, June 30, 2015			\$ 11,973,100	\$ 143,729	\$ 12,116,829

See accompanying notes to financial statements

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

**CALDWELL COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	General Fund	Special Revenue	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 4,064,996	\$ 231,292	\$ 387,421	\$ 4,683,709
Accounts receivable:				
Taxes	32,312	-	-	32,312
Other	409	-	-	409
Intergovernmental - indirect federal	-	222,239	-	222,239
Restricted cash and cash equivalents	100,000	-	-	100,000
	<u>\$ 4,197,717</u>	<u>\$ 453,531</u>	<u>\$ 387,421</u>	<u>\$ 5,038,669</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 11,875	\$ -	\$ -	\$ 11,875
Unearned revenue	-	453,531	-	453,531
	<u>11,875</u>	<u>453,531</u>	<u>-</u>	<u>465,406</u>
Fund balances				
Spendable:				
Restricted	100,000	-	387,421	487,421
Committed	565,161	-	-	565,161
Assigned	33,706	-	-	33,706
Unassigned	3,486,975	-	-	3,486,975
	<u>4,185,842</u>	<u>-</u>	<u>387,421</u>	<u>4,573,263</u>
Total liabilities and fund balances	<u>\$ 4,197,717</u>	<u>\$ 453,531</u>	<u>\$ 387,421</u>	<u>\$ 5,038,669</u>

See accompanying notes to financial statements

**CALDWELL COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2015**

Total fund balance per fund financial statements		\$ 4,573,263
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$37,156,046 and the accumulated depreciation is \$17,082,831.		
		20,073,215
Pension related items:		
Deferred outflow		380,103
Deferred inflow		(288,342)
Net pension liability		(3,298,563)
Long-term liabilities, including interest payable, are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:		
Bond obligations	(8,535,000)	
Accrued interest on bonds	(70,406)	
Accrued sick leave payable	(861,170)	(9,466,576)
Net position for governmental activities		<u>\$ 11,973,100</u>

See accompanying notes to financial statements

**CALDWELL COUNTY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	General Fund	Special Revenue	Other Governmental Funds	Total Governmental Funds
REVENUES				
From local sources:				
Taxes				
Property	\$ 1,536,589	\$ -	\$ 293,745	\$ 1,830,334
Motor vehicle	463,319	-	-	463,319
Utilities	942,915	-	-	942,915
Other	236,148	-	-	236,148
Earnings on investments	99,056	229	659	99,944
Other local revenues	70,064	-	-	70,064
Intergovernmental - state	11,431,369	653,104	684,137	12,768,610
Intergovernmental - federal	-	1,257,265	-	1,257,265
Total revenues	14,779,460	1,910,598	978,541	17,668,599
EXPENDITURES				
Current:				
Instruction	8,380,613	1,666,166	-	10,046,779
Support services:				
Student	646,078	82,526	-	728,604
Instructional staff	370,403	12,571	-	382,974
District administration	664,564	-	-	664,564
School administration	1,052,837	-	-	1,052,837
Business	622,240	-	-	622,240
Building improvements	-	-	371,006	371,006
Plant operations and maintenance	1,891,560	37,835	-	1,929,395
Student transportation	1,207,222	-	-	1,207,222
Community service activities	39,733	155,737	-	195,470
Debt service	-	-	837,622	837,622
Total expenditures	14,875,250	1,954,835	1,208,628	18,038,713
Excess (deficit) of revenues over (under) expenditures	(95,790)	(44,237)	(230,087)	(370,114)
Other financing sources (uses)				
Proceeds from disposal of fixed assets	11,975	-	-	11,975
Operating transfers in	159,447	44,237	1,068,772	1,272,456
Operating transfers out	(41,822)	-	(1,228,220)	(1,270,042)
Total other financing sources (uses)	129,600	44,237	(159,448)	14,389
Net changes in fund balances	33,810	-	(389,535)	(355,725)
Fund balances, July 1, 2014	4,152,032	-	776,956	4,928,988
Fund balances, June 30, 2015	\$ 4,185,842	\$ -	\$ 387,421	\$ 4,573,263

See accompanying notes to financial statements

**CALDWELL COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Net change in fund balance - Total governmental funds \$ (355,725)

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

Governmental funds report capital outlays as expenditures.

However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expenses exceeded capital outlay in the current period:

Capital outlay	742,513	
Depreciation expense	(1,259,268)	
Net capital outlay		(516,755)

Bond proceeds are reported as other financing sources in governmental funds and contribute to the change in fund balance. However, in the statement of net position, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of bond principal is an expenditure in the government funds financial statements but is a reduction of the liability in the statement of net position.

Bond repayments	515,000	
Capital lease payments	11,032	
		526,032

Some items reported in the statement of activities do not involve current financial resources and, therefore, are not reported as expenditures in the governmental funds.

These activities are:

Deferred pension amounts	122,158	
Accumulated sick leave-noncurrent portion	28,950	
Amortization of capital lease	(11,032)	
Accrued interest on bonds	9,040	
Net decrease in expenditures		149,116

Change in net position of governmental activities \$ (197,332)

See accompanying notes to financial statements

PROPRIETARY FUNDS FINANCIAL STATEMENTS

**CALDWELL COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015**

	School Food Service Fund	School Age Child Care	Total Enterprise Funds
ASSETS			
Current assets			
Cash and cash equivalents	\$ 244,646	\$ 2,937	\$ 247,583
Accounts receivable	-	1,085	1,085
Inventory	8,099	-	8,099
Total current assets	252,745	4,022	256,767
Noncurrent assets			
Capital assets	937,111	-	937,111
Less: accumulated depreciation	(548,306)	-	(548,306)
Total noncurrent assets	388,805	-	388,805
Total assets	641,550	4,022	645,572
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension amounts	52,387	5,164	57,551
LIABILITIES			
Current liabilities			
Accounts payable	530	-	530
Compensated absences	744	-	744
Total current liabilities	1,274	-	1,274
Noncurrent liabilities			
Compensated absences	15,025	-	15,025
Net pension liability	454,621	44,816	499,437
Total noncurrent liabilities	469,646	44,816	514,462
Total liabilities	470,920	44,816	515,736
DEFERRED INFLOWS OF RESOURCES			
Deferred pension amounts	39,740	3,918	43,658
NET POSITION			
Invested in capital assets, net of related debt	388,805	-	388,805
Unrestricted	(205,528)	(39,548)	(245,076)
Total net position	\$ 183,277	\$ (39,548)	\$ 143,729

See accompanying notes to financial statements

**CALDWELL COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	School Food Service Fund	School Age Child Care	Total Enterprise Fund
OPERATING REVENUES			
Lunchroom sales	\$ 231,000	\$ -	\$ 231,000
Student fees	-	24,073	24,073
Total operating revenues	<u>231,000</u>	<u>24,073</u>	<u>255,073</u>
OPERATING EXPENSES			
Salaries, wages and benefits	484,477	39,475	523,952
Contract services	52,661	35	52,696
Materials and supplies	537,355	1,053	538,408
Depreciation	8,671	-	8,671.00
Other	1,200	-	1,200
Total operating expenses	<u>1,084,364</u>	<u>40,563</u>	<u>1,124,927</u>
Operating income (loss)	<u>(853,364)</u>	<u>(16,490)</u>	<u>(869,854)</u>
NON-OPERATING REVENUES (EXPENSES)			
Federal grants	690,242	-	690,242
Donated commodities	74,723	-	74,723
State grants	11,089	-	11,089
State on-behalf payments	82,016	5,998	88,014
Interest income	367	-	367
Total non-operating revenues (expenses)	<u>858,437</u>	<u>5,998</u>	<u>864,435</u>
Change in net position	<u>5,073</u>	<u>(10,492)</u>	<u>(5,419)</u>
Net position, July 1, 2014	637,014	16,173	653,187
Implementation of GASB 68 (Note 16)	<u>(458,810)</u>	<u>(45,229)</u>	<u>(504,039)</u>
Net position, July 1, 2014, restated	<u>178,204</u>	<u>(29,056)</u>	<u>149,148</u>
Net position, June 30, 2015	<u>\$ 183,277</u>	<u>\$ (39,548)</u>	<u>\$ 143,729</u>

See accompanying notes to financial statements

**CALDWELL COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	School Food Service Fund	School Age Child Care	Total Enterprise Funds
Cash flows from operating activities			
Cash received from:			
Lunchroom sales	\$ 231,470	\$ -	\$ 231,470
Student fees	-	22,989	22,989
Cash paid to/for:			
Employees	(424,387)	(35,137)	(459,524)
Supplies	(462,440)	(1,053)	(463,493)
Contract services	(53,861)	(35)	(53,896)
Net cash provided (used) by operating activities	<u>(709,218)</u>	<u>(13,236)</u>	<u>(722,454)</u>
Cash flows from noncapital financing activities			
Government grants	701,333	-	701,333
Net cash provided (used) by noncapital financing activities	<u>701,333</u>	<u>-</u>	<u>701,333</u>
Cash flows from investing activities			
Receipt of interest income	367	-	367
Net cash provided (used) by investing activities	<u>367</u>	<u>-</u>	<u>367</u>
Net increase (decrease) in cash and cash equivalents	(7,518)	(13,236)	(20,754)
Balances, July 1, 2014	<u>252,164</u>	<u>16,173</u>	<u>268,337</u>
Balances, June 30, 2015	<u>\$ 244,646</u>	<u>\$ 2,937</u>	<u>\$ 247,583</u>

See accompanying notes to financial statements

**CALDWELL COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS, continued
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>School Food Service Fund</u>	<u>School Age Child Care</u>	<u>Total Enterprise Funds</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (853,364)	\$ (16,490)	\$ (869,854)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	8,671	-	8,671
Donated commodities	74,723	-	74,723
State on-behalf payments	82,016	5,998	88,014
Change in assets and liabilities:			
Accounts receivable	470	(1,084)	(614)
Inventory	172	-	172
Accounts payable	20	-	20
Accrued sick leave	(5,090)	-	(5,090)
Deferred pension amounts	(16,836)	(1,660)	(18,496)
Net cash provided (used) by operating activities	<u>\$ (709,218)</u>	<u>\$ (13,236)</u>	<u>\$ (722,454)</u>
Schedule of non-cash transactions:			
Donated commodities received from Federal government	\$ 74,723	\$ -	\$ 74,723
On-behalf payments	82,016	5,998	88,014

See accompanying notes to financial statements

FIDUCIARY FUNDS FINANCIAL STATEMENTS

**CALDWELL COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2015**

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 297,957
Accounts receivable	<u>-</u>
Total assets	<u>297,957</u>
 LIABILITIES	
Due to student groups	295,451
Due to grantor agencies	<u>2,506</u>
Total liabilities	<u>297,957</u>
 NET POSITION	 <u><u>\$ -</u></u>

See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS

**CALDWELL COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the District. 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 District itself such as band boosters, parent-teacher associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the District. 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. In 1991, the Board authorized the establishment of the Caldwell County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act, KRS 273, and KRS 58.180) as an agency of the District for financing the costs of school building facilities. The Board Members of the Caldwell County Board of Education also comprise the Corporation's Board of Directors.

Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds. Interfund activity is eliminated to avoid "doubling up" revenues and expenses.

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

**CALDWELL COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

The government-wide statement of net position presents the financial condition of the governmental and business-type activities of the District at year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. 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 programs 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 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 Governmental Funds are accounted for on the "flow of current financial resources" measurement focus. This measurement focus is based on the concept of accountability, which includes measuring interperiod equity whether current year revenues were sufficient to pay for current year services. The Proprietary Funds are accounted for on an "economic resources" measurement focus. Accordingly, the Statement of Revenues, Expenses and Changes in Fund Net Position for the Proprietary Funds reports increases and decreases in total economic net worth.

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

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

Governmental Funds

Governmental Funds are those through which most District functions are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in the Proprietary Fund and Fiduciary Funds) are accounted for through Governmental Funds. The measurement focus is upon determination of changes in financial resources rather than upon determination of net income. The following are the District's Governmental Funds:

**CALDWELL COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

The *General Fund* is the main operating fund of the District. It accounts for financial resources used by general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.

The *Special Revenue Fund* accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes.

The *Special Revenue (Grant) Fund* 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.

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

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

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

The *Construction Fund* accounts for proceeds from sales of bonds and other revenue to be used for authorized construction.

The *Debt Service Fund* is used to account for the accumulation of resources for, and the payment of, bonded debt and lease obligations, interest, and related costs.

Proprietary Funds

Proprietary funds are used to account for ongoing organizations and activities which are operated and financed in a manner similar to those found in the private sector. The measurement focus is upon the determination of net income. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The fund's principal operating revenues are food service charges and student fees. Operating expenses include food production costs, supplies, administrative costs, and depreciation on capital assets. All items not meeting this definition are reported as nonoperating revenues and expenses. The District has two proprietary funds:

**CALDWELL COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

The *School Food Service Fund* is used to account for school food service activities, including the National School Lunch Program and the National School Breakfast Program, which are conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA and for on-behalf payments for retirement and health insurance paid by the State of Kentucky. This is a major fund of the District.

The *School Age Child Care* are used to account for specific educational needs and purposes.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the District on behalf of outside related organizations or on behalf of other funds within the District.

Agency Funds account for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Kentucky Department of Education *Uniform Program of Accounting for School Activity Funds*. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Basis of Accounting

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

Revenue Recognition

Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. "Available" means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 60 days after year-end.

**CALDWELL COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants entitlements and donations are 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 to be used or the fiscal year when use is first permitted, matching requirements in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

Unearned Revenue

Unearned 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 unearned revenue.

Donated Commodities

The fair value of donated commodities received during the year is reported in the proprietary fund statement of revenues, expenses and changes in net position as an expense and as a donated commodities revenue (nonoperating revenue).

Expenses/Expenditures

Using the accrual basis of accounting, expenses are recognized at the time a liability is incurred. In the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Property Taxes

Property taxes collected are recorded as revenues in the fund for which they were levied. Property taxes are levied on the assessed value listed as of the prior January 1 for all real and personal property located in the District. Taxes become delinquent after December 31.

The property tax rates for the year ended June 30, 2015, to finance the General Fund operations were \$.376 per \$100 valuation for real property, \$.376 per \$100 valuation for business tangible personal property, and \$.538 per \$100 valuation for motor vehicles.

**CALDWELL COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

Estimates

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

Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds, and after nonoperating revenues/expenses in proprietary funds.

Encumbrance Accounting

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 re-appropriated in the next year. An assignment of fund balance equal to outstanding encumbrances at year-end is provided for at June 30, 2015. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying combined financial statements.

Assets, Liabilities, and Equity

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and time deposits that are nonnegotiable, to be cash and cash equivalents, for governmental, proprietary and fiduciary funds. This definition is also used for the proprietary fund's statement of cash flows.

Prepaid Expenditures

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

**CALDWELL COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Inventories

Inventories are valued at cost, which approximates market. The food service fund uses the specific identification method and the general fund uses the first-in, first-out method. The District's inventories include various items consisting of school supplies, paper, books, maintenance items, transportation items, commodities, etc. USDA commodities received from the Federal government are recorded at the value established by the Federal government using the average cost method.

Restricted Assets

Certain assets of the General Fund are classified as restricted assets because their use is restricted by KRS 157.420(3)

Interfund Balances

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

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 greater than \$5,000 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 value to the value of the asset or materially extend an asset's life are not. Improvements are depreciated over the remaining useful lives of the related capital assets.

**CALDWELL COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

<u>Description</u>	<u>Estimated Lives for Depreciation</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Food service equipment	12 years
General equipment	5-10 years

Accrued Liabilities and Long-Term Obligations

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, and contractually required pension contributions 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.

**CALDWELL COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Compensated Absences

Compensated absences are payments to employees for accumulated sick leave. These amounts also include the related employer's share of applicable taxes and retirement contributions. District employees may accumulate unused sick leave up to a specified amount depending on their date of hire. Sick leave is payable to employees at retirement at 30% of the current rate of pay on the date of termination or retirement. The District uses the termination method to calculate the compensated absences amounts. The entire compensated absence liability is reported on the government-wide financial statements. The current portion is the amount estimated to be used in the following year. An expenditure is recognized in the governmental fund as payments come due each period, for example, as a result of employee resignations and retirements. Compensated absences not recorded at the fund level represent a reconciling item between the fund level and government-wide presentations.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System Non-Hazardous ("CERS") and Teacher's Retirement System of the State of Kentucky ("KTRS") and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the pensions. 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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category: the deferred outflows of resources relate to the net pension liability described in Note 10.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category: the deferred inflows of resources relate to the net pension liability as described in Note 10.

**CALDWELL COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Fund Balances

In the fund financial statements, governmental fund balances are classified as follows:

Non-spendable – Includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints.

Restricted – Amounts which can be spent only for specific purposes because of state or federal laws, or externally imposed conditions by grantors or creditors.

Committed – Amounts which can be used only for specific purposes determined by the Board of Education’s formal action through a resolution.

Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Board or Management. The Board adopted a resolution establishing the authority to assign funds.

Unassigned – All amounts not included in other spendable classifications.

In governmental funds when an expenditure is incurred that can be paid using either restricted or unrestricted resources, the District’s policy is generally to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications—committed, assigned, and then unassigned fund balances.

Net Position

Net positions represent the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources on the district-wide financial statements. Net positions are classified in the following categories:

Net investment in capital assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted net position – This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted net position – This amount is the net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

Subsequent Events

Subsequent events have been evaluated through November 3, 2015, which is the date the financial statements were available to be issued.

**CALDWELL COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 – CASH AND CASH EQUIVALENTS

The District maintained deposits of public funds with depository institutions insured by FDIC as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institutions should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times.

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned to it. As stipulated by KRS 41.240(4), all deposits are collateralized with eligible securities or other obligations having aggregate current face value or current quoted market value at least equal to the deposits. The District does not have a deposit policy for custodial credit risk but rather follows the requirement of KRS 41.240(4).

At fiscal year-end, the carrying amount of the District's deposits was \$5,329,249 and the bank balance was \$6,129,929. Of the District's bank balance, \$4,879,929 was collateralized as discussed above because it was uninsured, while \$1,250,000 was covered by Federal Deposit Insurance.

The carrying amounts are reflected in the financial statements as follows:

Reconciliation to Government-wide Statement of Net Position:

Unrestricted cash, including time deposits	\$ 4,931,292
Restricted cash, including time deposits	100,000
Fiduciary fund cash (not included in government-wide statement)	<u>297,957</u>
	<u><u>\$ 5,329,249</u></u>

These amounts are reported in the financial statements, as follows:

Governmental activities	
Cash and cash equivalents	\$ 4,683,709
Restricted cash and cash equivalents	100,000
Business-type activities	247,583
Fiduciary Funds	<u>297,957</u>
	<u><u>\$ 5,329,249</u></u>

The District has a cash restriction of \$100,000 for the purpose of paying compensation for unused sick leave at the time of employee retirement in accordance with KRS 157.420(3).

**CALDWELL COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 3 – CAPITAL ASSETS

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

Governmental Activities	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Capital assets not depreciated:				
Land	\$ 261,197	\$ 51,109	\$ -	\$ 312,306
Construction in progress	-	371,006	-	371,006
Total nondepreciable historical cost	<u>261,197</u>	<u>422,115</u>	<u>-</u>	<u>683,312</u>
Capital assets depreciated:				
Land improvements	841,567	64,940	-	906,507
Buildings and improvements	30,486,670	10,925	-	30,497,595
Technology equipment	1,075,133	-	62,066	1,013,067
Vehicles	2,899,447	213,124	-	3,112,571
General equipment	911,585	31,409	-	942,994
Property under capital lease	110,325	-	110,325	-
Total depreciable historical cost	<u>36,324,727</u>	<u>320,398</u>	<u>172,391</u>	<u>36,472,734</u>
Less: accumulated depreciation				
Land improvements	622,914	40,163	-	663,077
Building and improvements	11,804,691	855,485	-	12,660,176
Technology equipment	850,035	107,656	62,066	895,625
Vehicles	1,914,578	207,555	-	2,122,133
General equipment	693,411	48,409	-	741,820
Property under capital lease	99,293	11,032	110,325	-
Total accumulated depreciation	<u>15,984,922</u>	<u>1,270,300</u>	<u>172,391</u>	<u>17,082,831</u>
Total depreciable historical cost - net	<u>20,339,805</u>	<u>(949,902)</u>	<u>-</u>	<u>19,389,903</u>
Governmental activities capital assets - net	<u>\$ 20,601,002</u>	<u>\$ (527,787)</u>	<u>\$ -</u>	<u>\$ 20,073,215</u>

Amortization expense of \$11,032, related to a capital lease, was not allocated to governmental activities. It appears on the statement of activities as “unallocated”.

**CALDWELL COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 3 – CAPITAL ASSETS, continued

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities

Instruction	\$ 509,731
Support services:	
Student	299
District administration	180
Business	40,423
Plant operation and maintenance	486,418
Student transportation	222,217
	<u>222,217</u>
	<u>\$ 1,259,268</u>

Business-Type Activities	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Capital assets depreciated:				
Buildings and improvements	\$ 468,202	\$ -	\$ -	\$ 468,202
Technology equipment	39,820	-	-	39,820
Vehicles	9,000	-	-	9,000
Food service equipment	429,088	-	-	429,088
	<u>946,110</u>	<u>-</u>	<u>-</u>	<u>946,110</u>
Total depreciable historical cost				
Less: accumulated depreciation				
Buildings and improvements	131,805	-	-	131,805
Technology equipment	38,352	887	-	39,239
Vehicles	9,000	-	-	9,000
Food service equipment	369,477	7,784	-	377,261
	<u>548,634</u>	<u>8,671</u>	<u>-</u>	<u>557,305</u>
Total accumulated depreciation				
Business-type activities capital assets - net	<u>\$ 397,476</u>	<u>\$ (8,671)</u>	<u>\$ -</u>	<u>\$ 388,805</u>

**CALDWELL COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 – LONG-TERM DEBT OBLIGATIONS

The District issues bonds to provide funds for the acquisition and construction of major capital facilities and improvements. The original amount of the issue, the dates and interest rates are summarized below:

<u>Issue</u>	<u>Proceeds</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>
Issue of 2002	\$ 2,320,000	2015	1.25% - 3.88%
Issue of 2005	1,390,000	2020	3.00% - 4.00%
Issue of 2011	7,500,000	2031	1.85% - 4.38%

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

In 1986, the District entered into “participation agreements” with the Kentucky School Facilities Construction Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local school districts in meeting school construction needs. The 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.

**CALDWELL COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 – LONG TERM DEBT OBLIGATIONS, continued

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

Year	Caldwell County School District		Kentucky School Facility Construction Commission		Total
	Principal	Interest	Principal	Interest	
2016	\$ 392,343	\$ 286,684	\$ 37,657	\$ 25,548	\$ 742,232
2017	406,461	274,966	38,539	24,670	744,636
2018	420,488	262,266	39,512	23,694	745,960
2019	432,034	248,464	62,966	22,620	766,084
2020	450,842	233,786	64,158	20,552	769,338
2021-2025	2,284,890	950,140	195,110	79,820	3,509,960
2026-2030	2,791,214	492,482	233,786	41,144	3,558,626
2031	632,319	27,664	52,681	2,304	714,968
	<u>\$ 7,810,591</u>	<u>\$ 2,776,452</u>	<u>\$ 724,409</u>	<u>\$ 240,352</u>	<u>\$ 11,551,804</u>

Changes in the long-term liability accounts during the year are summarized below:

	Balance July 1, 2014	Additions	Payments	Balance June 30, 2015	Due in One Year
Bonds	\$ 9,050,000	\$ -	\$ 515,000	\$ 8,535,000	\$ 430,000
Lease obligations	11,032	-	11,032	-	-
Compensated absences:					
Governmental activities	890,120	23,850	52,800	861,170	61,111
Business-type activities	20,859	-	5,089	15,770	744
	<u>\$ 9,972,011</u>	<u>\$ 23,850</u>	<u>\$ 583,921</u>	<u>\$ 9,411,940</u>	<u>\$ 491,855</u>

As explained in Note 1, payments on the District's bonds are made by the Debt Service Fund. The compensated absences and lease obligations will be liquidated by the General Fund. In the past, these liabilities have been paid each year by the General Fund.

**CALDWELL COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5 – COMPENSATED ABSENCES

Upon retirement from the school system, employees will receive from the District an amount equal to 30% of the value of accumulated sick leave. For governmental fund financial statements, the current portion of unpaid accrued sick leave is the amount expected to be funded with current year's economic financial resources. These amounts are recorded in the account "accrued sick leave payable" in the General Fund. Management has estimated that the amount for governmental activities will be approximately \$861,170 with \$61,111 considered the short-term portion. Management has estimated that the amount for business-type activities will be approximately \$15,025 with \$0 considered the short-term portion.

NOTE 6 – FUND BALANCE REPORTING

Following is a summary of designations of fund balance at June 30, 2015:

	General Fund	Special Revenue	Other Governmental Funds	Total
Restricted:				
Sick leave	\$ 100,000	\$ -	\$ -	\$ 100,000
Future construction	-	-	387,325	387,325
Debt service	-	-	96	96
Committed:				
Sick leave	150,000	-	-	150,000
Future construction	300,000	-	-	300,000
Buses	11,758	-	-	11,758
SBDM	89,496	-	-	89,496
Other	13,907	-	-	13,907
Assigned:				
Other	33,706	-	-	33,706
Unassigned	3,486,975	-	-	3,486,975
	<u>\$ 4,185,842</u>	<u>\$ -</u>	<u>\$ 387,421</u>	<u>\$ 4,573,263</u>

**CALDWELL COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 – TRANSFER OF FUNDS

The following transfers were made during the year:

From Fund	To Fund	Purpose	Amount
General	Special Revenue	KETS matching for technology	\$ 44,237
Capital outlay	Construction	CCES Roof	158,667
Capital outlay	General fund	Buses	147,028
Building	Construction	CCES Roof	367,243
Building	General fund	Buses	12,419
Building	Debt Service	Debt Service Payments	310,601
Construction	Construction	Transfer between projects	232,261
			<u>\$ 1,272,456</u>

NOTE 8 – DEFICIT OPERATING FUND BALANCES

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

Capital Outlay	\$ (121,379)
Debt Service	(423,719)

NOTE 9 – ON-BEHALF PAYMENTS

The Kentucky State Department of Education has indicated the following amounts were contributed on-behalf of the District for the year ended June 30, 2015:

Health insurance	\$ 1,887,723
Life insurance	3,522
Administrative	24,134
Health reimbursement account - HRS/dental/vision	125,038
	<u>2,040,417</u>
Federal reimbursements of health benefits	(184,145)
	<u>1,856,272</u>
Kentucky Teacher's Retirement System	1,160,477
Technology	57,413
SFCC Debt service	103,302
	<u>\$ 3,177,464</u>

**CALDWELL COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 9 – ON-BEHALF PAYMENTS, continued

The District included on-behalf payments in their budget. The total of these payments has been included in revenues and the applicable expenditure functions in these financial statements, as follows:

Governmental activities		
General Fund	\$	2,986,148
Debt Service Fund		103,302
Business-type activities:		
Food Service Fund		82,016
Other Enterprise Fund		<u>5,998</u>
	<u>\$</u>	<u>3,177,464</u>

NOTE 10 – PENSION PLANS

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

General information about the County Employees Retirement System Non-Hazardous (“CERS”)

Plan description – Employees whose positions do not require a college degree beyond a high school diploma are covered by CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute (“KRS”) Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

**CALDWELL COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 10 – PENSION PLANS, continued

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

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

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

Contributions – Required contributions by the employee are based on the tier:

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

**CALDWELL COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 10 – PENSION PLANS, continued

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

Plan description – Teaching certified employees of the District and other employees whose positions require at least a college degree are provided pensions through the Teachers' Retirement System of the State of Kentucky (KTRS)—a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. KTRS is a blended component unit of the Commonwealth of Kentucky and, therefore, is included in the Commonwealth's financial statements. KTRS issues a publicly available financial report that can be obtained at http://www.ktrs.ky.gov/05_publications/index.htm.

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

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

Employees who retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2.0% of their final average salary for each year of service if, upon retirement, their total service was less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

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

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

**CALDWELL COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 10 – PENSION PLANS, continued

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

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

Medical Insurance Plan

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

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

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

**CALDWELL COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 10 – PENSION PLANS, continued

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

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

District's proportionate share of the CERS net pension liability	\$	3,798,000
Commonwealth's proportionate share of the KTRS net pension liability associated with the District.		<u>49,245,122</u>
	<u>\$</u>	<u>53,043,122</u>

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

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2014, the District's proportion was .114501%.

For the year ended June 30, 2015, the District recognized pension expense of (\$140,654) related to CERS and \$1,160,477 related to KTRS. The District also recognized revenue of \$1,160,477 for KTRS support provided by the Commonwealth. At June 30, 2014, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**CALDWELL COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 10 – PENSION PLANS, continued

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Change of assumptions	-	-
Net differences between projected and actual earnings on pension plan investments	-	415,000
Changes in proportion and difference between District contributions and proportionate share of contributions	-	-
District contributions subsequent to the measurement date	<u>496,209</u>	<u>-</u>
Total	<u><u>\$ 496,209</u></u>	<u><u>\$ 415,000</u></u>

The amount of \$437,654 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ 83,000
2017	83,000
2018	83,000
2019	83,000
2020	-

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:

	<u>CERS</u>	<u>KTRS</u>
Inflation	3.5%	3.5%
Projected salary increases	4.5%	4.0-8.2%
Investment rate of return, net of investment expense and inflation	7.8%	7.5%

**CALDWELL COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 10 – PENSION PLANS, continued

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

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

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

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

**CALDWELL COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 10 – PENSION PLANS, continued

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
U.S equity	45.00%	6.4%
Non U.S. equity	17.00%	6.5%
Fixed income	24.00%	1.6%
High yield bonds	4.00%	3.1%
Real estate	4.00%	5.8%
Alternatives	4.00%	6.8%
Cash	<u>2.00%</u>	1.5%
Total	<u>100.00%</u>	

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

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

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

**CALDWELL COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 10 – PENSION PLANS, continued

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	6.75%	7.75%	8.75%
District's proportionate share of net pension liability	\$ 4,888,486	\$ 3,798,000	\$ 2,677,904
KTRS	4.23%	5.23%	6.23%
District's proportionate share of net pension liability	-	-	-

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

NOTE 11 – CONTINGENCIES & COMMITMENTS

Grant Programs

The District receives funding from federal, state and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based on the grantor's review, the funds are considered not to have been used for the intended purpose, the grantor may request a refund of 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.

KSBIT

The District has been notified by the Kentucky School Board Insurance Trust of a \$64,624 liability for workers compensation losses incurred by the Trust. The District paid 25% down payment of \$16,156 in August 2014. The District chose to pay the remaining liability of \$48,468 in six installments beginning August 15, 2015. The entire unpaid balance of the assessment is due and payable in full on August 15, 2020.

NOTE 12 – 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 include worker's compensation insurance.

**CALDWELL COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 13 – RISK MANAGEMENT AND LITIGATION

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 errors and omissions and general liability coverage, the District participates in the Kentucky School Boards' Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards' Association. The District pays an annual premium to each fund for coverage.

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

The District purchases workers compensation insurance from Kentucky Employers Mutual Insurance.

From time to time, the District is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management and legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the District's financial statements

NOTE 14 – 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 has notified all terminated employees of available continuing insurance coverage as mandated by COBRA.

NOTE 15 – INTERFUND RECEIVABLES AND PAYABLES

There were no interfund balances at June 30, 2015.

**CALDWELL COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 16 – CHANGE IN ACCOUNTING PRINCIPLE AND RELATED CHANGES TO CERTAIN BEGINNING BALANCES

Effective July 1, 2014, the District was required to adopt Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68). GASB 68 replaced the requirements of GASB 27, *Accounting for Pensions by State and Local Governmental Employers* and GASB 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability to more comprehensively and comparably measure the annual costs of pension benefits. Cost-sharing governmental employers such as the District are required to report a net pension liability, pension expense and pension-related assets and liabilities based on their proportionate share of the collective amounts for all governments in the plan. Refer to the Defined Benefit section of Note 10 for further details.

As a result of implementing this statement, the following the line items have been added to the Statement of Net Position.

<u>Item</u>	<u>Government - Wide</u>	<u>School Food Service</u>	<u>School Age Child Care</u>	<u>Total</u>
<u>June 30, 2015</u>				
Deferred outflows - pension plan	\$ 380,103	\$ 52,387	\$ 5,164	\$ 437,654
Deferred inflows - pension plan	288,342	39,740	3,918	332,000
Net pension liability	3,298,563	454,621	44,816	3,798,000
<u>June 30, 2014</u>				
Deferred outflows - pension plan	\$ 430,957	\$ 59,396	\$ 5,856	\$ 496,209
Deferred inflows - pension plan	360,427	49,676	4,897	415,000
Net pension liability	3,759,918	518,206	51,085	4,329,209

**CALDWELL COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 16 – CHANGE IN ACCOUNTING PRINCIPLE AND RELATED CHANGES TO CERTAIN BEGINNING BALANCES, continued

As this statement is applied retroactively, the financial statement for the year ended June 30, 2014 has been restated to apply the changes noted associated with the net pension liability.

The effect of this change is as follows:

	Government Wide	School Food Service	School Age Child Care	Total
Net position - June 30, 2014 as originally reported	\$ 15,499,392	\$ 637,014	\$ 16,173	\$ 16,152,579
GASB 68 adjustment to record net pension liability as of June 30, 2014	<u>(3,328,960)</u>	<u>(458,810)</u>	<u>(45,229)</u>	<u>(3,832,999)</u>
Net position - June 30, 2014, restated	<u>\$ 12,170,432</u>	<u>\$ 178,204</u>	<u>\$ (29,056)</u>	<u>\$ 12,319,580</u>
Change in net position - June 30, 2015 as originally reported	\$ (319,490)	\$ (11,763)	\$ (12,152)	\$ (343,405)
GASB 68 adjustment to record net pension expense for the year ended June 30, 2015 (recorded in employee benefits)	<u>122,158</u>	<u>16,836</u>	<u>1,660</u>	<u>140,654</u>
Change - June 30, 2015, restated	<u>\$ (197,332)</u>	<u>\$ 5,073</u>	<u>\$ (10,492)</u>	<u>\$ (202,751)</u>

NOTE 17 – UPCOMING PRONOUNCEMENTS

In February 2015, the Governmental Accounting Standards Board issued GASB Statement No. 72, *Fair Value Measurement and Application*. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the District's 2016 fiscal year.

**CALDWELL COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 17 – UPCOMING PRONOUNCEMENTS, continued

In June 2015, the GASB issued two new standards addressing accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*, addresses reporting by OPEB plans whereas GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses accounting and reporting by employer governments that provide OPEB benefits to their employees. Along with the currently required statement of fiduciary net position and statement of changes in fiduciary net position, OPEB plans will now be required to include in the financial statement more extensive footnote disclosures and required supplementary information related to the measurement of the OPEB liabilities for which assets have been accumulated. In addition, the District will, after adoption of GASB 75, recognize on the face of the financial statements its net OPEB liability. The District is currently evaluating the impact these standards will have on the financial statements when adopted. GASB 74 is effective for fiscal years beginning after June 15, 2016 whereas GASB 75 is effective one year later.

NOTE 18 – ANNUAL FINANCIAL REPORT DIFFERENCES

The proprietary fund financial statements reflect the implementation of GASB 68 (see Note 16). The District has not recorded the implementation entries on their Audited Annual Financial Report (AFR) submitted to Kentucky Department of Education.

REQUIRED SUPPLEMENTARY INFORMATION

**CALDWELL COUNTY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Favorable <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
From local sources:				
Taxes				
Property	\$ 1,345,000	\$ 1,415,000	\$ 1,536,589	\$ 121,589
Motor vehicle	400,000	425,000	463,319	38,319
Utilities	850,000	900,000	942,915	42,915
Other	75,000	150,000	236,148	86,148
Earnings on investments	180,500	95,500	99,056	3,556
Other local revenues	33,826	33,826	70,064	36,238
Intergovernmental - state	11,110,523	11,171,380	11,431,369	259,989
Total revenues	<u>13,994,849</u>	<u>14,190,706</u>	<u>14,779,460</u>	<u>588,754</u>
EXPENDITURES				
Current:				
Instruction	8,546,008	8,521,036	8,380,613	140,423
Support services:				
Student	636,100	650,338	646,078	4,260
Instructional staff	377,050	405,150	370,403	34,747
District administration	2,284,636	2,502,750	664,564	1,838,186
School administration	1,025,350	1,060,406	1,052,837	7,569
Business	610,500	643,200	622,240	20,960
Plant operation and maintenance	1,982,975	2,404,550	1,891,560	512,990
Student transportation	1,493,081	1,524,550	1,207,222	317,328
Community services	27,000	29,000	39,733	(10,733)
Total expenditures	<u>16,982,700</u>	<u>17,740,980</u>	<u>14,875,250</u>	<u>2,865,730</u>
Excess (deficit) of revenues over (under) expenditures	<u>(2,987,851)</u>	<u>(3,550,274)</u>	<u>(95,790)</u>	<u>3,454,484</u>
Other financing sources (uses)				
Proceeds from sale of fixed assets	-	-	11,975	11,975
Operating transfers in	-	-	159,447	159,447
Operating transfers out	(52,127)	(40,000)	(41,822)	(1,822)
Total other financing sources (uses)	<u>(52,127)</u>	<u>(40,000)</u>	<u>129,600</u>	<u>169,600</u>
Net change in fund balance	(3,039,978)	(3,590,274)	33,810	3,624,084
Fund balance, July 1, 2014	<u>3,039,978</u>	<u>3,590,274</u>	<u>4,152,032</u>	<u>561,758</u>
Fund balance, June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,185,842</u>	<u>\$ 4,185,842</u>

**CALDWELL COUNTY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - SPECIAL REVENUE
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amount</u>		<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES				
From local sources:				
Earnings on investments	\$ -	\$ -	\$ 229	\$ 229
Intergovernmental - state	744,842	816,784	653,104	(163,680)
Intergovernmental - federal	<u>1,205,832</u>	<u>1,295,904</u>	<u>1,257,265</u>	<u>(38,639)</u>
Total revenues	<u>1,950,674</u>	<u>2,112,688</u>	<u>1,910,598</u>	<u>(202,090)</u>
EXPENDITURES				
Current:				
Instruction	1,623,053	1,760,575	1,666,166	94,409
Support services:				
Student	107,373	91,484	82,526	8,958
Instructional staff	10,099	20,775	12,571	8,204
Plant operations and maintenance	101,508	124,118	37,835	86,283
Community services	<u>153,641</u>	<u>155,736</u>	<u>155,737</u>	<u>(1)</u>
Total expenditures	<u>1,995,674</u>	<u>2,152,688</u>	<u>1,954,835</u>	<u>197,853</u>
Excess (deficit) of revenues over (under) expenditures	<u>(45,000)</u>	<u>(40,000)</u>	<u>(44,237)</u>	<u>(4,237)</u>
Other financing sources (uses)				
Operating transfers in	<u>45,000</u>	<u>40,000</u>	<u>44,237</u>	<u>4,237</u>
Total other financing sources (uses)	<u>45,000</u>	<u>40,000</u>	<u>44,237</u>	<u>4,237</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, July 1, 2014	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CALDWELL COUNTY SCHOOL DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015**

NOTE 1 – BUDGETARY INFORMATION

The District's budgetary process accounts for transactions on a basis other than GAAP. Differences between the budgetary accounting methods and GAAP are not material.

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

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

Additionally, the District must prepare an annual allocation to schools by March 1 of each year for the following fiscal year. This allocation must include the amount for certified and classified staff based on the District's staffing policy and the amount for instructional supplies, materials, travel, and equipment.

Additionally, the District must adopt a tentative working budget for the subsequent fiscal year by May 30 of each year. This budget must contain a 2% reserve.

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

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

**CALDWELL COUNTY SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
County Employees Retirement System**

	<u>Year Ended June 30, 2015</u>
District's proportion of the net pension liability	0.114501%
District's proportionate share of the net pension liability	\$ 3,798,000
State's proportionate share of the net pension liability associated with the District	<u>-</u>
Total	<u><u>\$ 3,798,000</u></u>
District's covered-employee payroll	\$ 2,476,814
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	65.21%
Plan fiduciary net position as a percentage of the total pension liability	66.80%

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

**CALDWELL COUNTY SCHOOL DISTRICT
SCHEDULE OF REQUIRED CONTRIBUTIONS
County Employees Retirement System**

	Year Ended June 30, 2015
Contractually required contribution	\$ 437,654
Contributions in relation to the contractually required contribution	437,654
Contribution deficiency	\$ -
District's covered-employee payroll	\$ 2,476,814
Contributions as a percentage of covered-employee payroll	17.67%

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

**CALDWELL COUNTY SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
Kentucky Teachers' Retirement System**

	<u>Year Ended June 30, 2015</u>
District's proportion of the net pension liability	0%
District's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the District	<u>49,245,122</u>
Total	<u><u>\$ 49,245,122</u></u>
District's covered-employee payroll	\$ 7,574,940
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	15.38%
Plan fiduciary net position as a percentage of the total pension liability	45.59%

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

**CALDWELL COUNTY SCHOOL DISTRICT
SCHEDULE OF REQUIRED CONTRIBUTIONS
Kentucky Teachers' Retirement System**

	Year Ended June 30, 2015
Contractually required contribution - On behalf payments - KDE	\$ 1,160,477
Contributions in relation to the contractually required contribution	1,160,477
Contribution deficiency	\$ -
District's covered-employee payroll	\$ 7,574,940
Contributions as a percentage of covered-employee payroll	15.320%

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

**CALDWELL COUNTY SCHOOL DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLANS
FOR THE YEAR ENDED JUNE 30, 2015**

Changes of benefit terms – None.

Changes of assumptions – None.

OTHER SUPPLEMENTARY INFORMATION

**CALDWELL COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015**

	FSPK Fund	SEEK Capital Outlay Fund	Debt Service Fund	Construction Fund	Total Nonmajor Governmental Funds
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ 96	\$ 387,325	\$ 387,421
Total assets and resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96</u>	<u>\$ 387,325</u>	<u>\$ 387,421</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances					
Nonspendable	-	-	-	-	-
Spendable					
Restricted	-	-	96	387,325	387,421
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>-</u>	<u>-</u>	<u>96</u>	<u>387,325</u>	<u>387,421</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96</u>	<u>\$ 387,325</u>	<u>\$ 387,421</u>

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

	FSPK Fund	SEEK Capital Outlay Fund	Debt Service Fund	Construction Fund	Total Nonmajor Governmental Funds
REVENUES					
From local sources:					
Taxes					
Property	\$ 293,745	\$ -	\$ -	\$ -	\$ 293,745
Earnings on investments	-	-	-	659	659
Intergovernmental - state	396,519	184,316	103,302	-	684,137
Total revenues	<u>690,264</u>	<u>184,316</u>	<u>103,302</u>	<u>659</u>	<u>978,541</u>
EXPENDITURES					
Building improvements				371,006	371,006
Debt service	-	-	837,622	-	837,622
Total expenditures	<u>-</u>	<u>-</u>	<u>837,622</u>	<u>371,006</u>	<u>1,208,628</u>
Excess (deficit) of revenues over (under) expenditures	<u>690,264</u>	<u>184,316</u>	<u>(734,320)</u>	<u>(370,347)</u>	<u>(230,087)</u>
Other financing sources (uses)					
Operating transfers in	-	-	310,601	758,171	1,068,772
Operating transfers out	(690,264)	(305,695)	-	(232,261)	(1,228,220)
Total other financing sources (uses)	<u>(690,264)</u>	<u>(305,695)</u>	<u>310,601</u>	<u>525,910</u>	<u>(159,448)</u>
Net change in fund balances	-	(121,379)	(423,719)	155,563	(389,535)
Fund balances, July 1, 2014	<u>-</u>	<u>121,379</u>	<u>423,815</u>	<u>231,762</u>	<u>776,956</u>
Fund balances, June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96</u>	<u>\$ 387,325</u>	<u>\$ 387,421</u>

**CALDWELL COUNTY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES AND EXPENDITURES
 AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015**

	Cash Balance July 1, 2014	Receipts	Disbursements	Cash Balance 6/30/2015	Accounts Receivable	Accounts Payable	Fund Balance June 30, 2015
Caldwell County High School	\$ 177,772	\$ 401,188	\$ 412,488	\$ 166,472	\$ -	\$ -	\$ 166,472
Caldwell County Middle School	69,719	70,700	75,622	64,797	-	-	64,797
Caldwell County Elementary School	34,447	25,059	21,420	38,086	-	-	38,086
Caldwell County Primary School	31,316	36,394	41,614	26,096	-	-	26,096
Total activity funds	<u>313,254</u>	<u>533,341</u>	<u>551,144</u>	<u>295,451</u>	<u>-</u>	<u>-</u>	<u>295,451</u>
West Kentucky Munis Corporation	<u>46,347</u>	<u>3,631</u>	<u>49,978</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total West Kentucky Munis Corporation	<u>46,347</u>	<u>3,631</u>	<u>49,978</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Hilltop Donations	<u>2,553</u>	<u>-</u>	<u>47</u>	<u>2,506</u>	<u>-</u>	<u>-</u>	<u>2,506</u>
Total agency funds	<u><u>\$ 362,154</u></u>	<u><u>\$ 536,972</u></u>	<u><u>\$ 601,169</u></u>	<u><u>\$ 297,957</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 297,957</u></u>

**CALDWELL COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS
SCHOOL ACTIVITY FUNDS - CALDWELL COUNTY HIGH SCHOOL
FOR THE YEAR ENDED JUNE 30, 2015**

	Cash Balance July 1, 2014	Receipts	Disbursements	Cash Balance June 30, 2015	Accounts Receivable	Accounts Payable	Cash Balance June 30, 2015
Activity Funds							
Caldwell County High School							
General	\$ 15,246	\$ 30,019	\$ 34,877	\$ 10,388	\$ -	\$ -	\$ 10,388
Guidance	35	2,039	1,899	175	-	-	175
Lockers	1,467	1,681	120	3,028	-	-	3,028
Parking	655	1,055	307	1,403	-	-	1,403
Donations	443	1,500	1,500	443	-	-	443
Cashbox	-	12,850	12,850	-	-	-	-
Teen Council	-	2,679	2,679	-	-	-	-
Relay for Life	94	-	94	-	-	-	-
CCHS scholarship	-	-	-	-	-	-	-
Textbook	1,946	382	-	2,328	-	-	2,328
Testing funds	-	254	-	254	-	-	254
District sweep AC	-	5,488	5,488	-	-	-	-
Coke	1,564	1,744	285	3,023	-	-	3,023
Ice cream	2,931	468	886	2,513	-	-	2,513
Faculty vending	969	1,685	1,990	664	-	-	664
Freshman Academy	8	-	8	-	-	-	-
Academic Club	2,501	2,152	2,404	2,249	-	-	2,249
Spanish Club	-	261	179	82	-	-	82
Math Club	48	1,632	90	1,590	-	-	1,590
Color Me Pi Run	-	5,347	5,347	-	-	-	-
History Club	-	497	239	258	-	-	258
FBLA	463	4,620	3,891	1,192	-	-	1,192
FCCLA	206	1,116	1,279	43	-	-	43
FCA	807	-	50	757	-	-	757
FFA	13,552	40,214	43,317	10,449	-	-	10,449
FFA fish pond	599	-	599	-	-	-	-
Key Club	63	739	-	802	-	-	802
National Honor Society	413	3,640	2,819	1,234	-	-	1,234
GT Academics	320	1,200	1,200	320	-	-	320
Pep Club	982	-	792	190	-	-	190
Champions	54	-	-	54	-	-	54
Spanish	31	-	31	-	-	-	-
Rubiks Cube Club	160	-	160	-	-	-	-
Student Council	1,004	3,025	2,158	1,871	-	-	1,871
Volleyball Club	89	215	-	304	-	-	304
Dodgeball Club	226	320	228	318	-	-	318
Bio-diesel	424	-	424	-	-	-	-
Agricultural	5,294	7,299	6,322	6,271	-	-	6,271
Art	914	2,588	2,298	1,204	-	-	1,204
Physical Education	-	1,506	475	1,031	-	-	1,031
Band	1	12,990	6,923	6,068	-	-	6,068
Business	508	1,481	848	1,141	-	-	1,141
Chorus	1,473	1,500	2,443	530	-	-	530
Creative foods	181	-	130	51	-	-	51
Math Department	3,840	-	3,664	176	-	-	176
Greenhouse	5,460	5,683	3,837	7,306	-	-	7,306
Home Economics	95	-	-	95	-	-	95
Lifeskills	142	-	-	142	-	-	142
Piano	160	16	-	176	-	-	176
Guitar	237	50	-	287	-	-	287
Science	1,761	1,925	797	2,889	-	-	2,889

(continued)

**CALDWELL COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS
SCHOOL ACTIVITY FUNDS - CALDWELL COUNTY HIGH SCHOOL
FOR THE YEAR ENDED JUNE 30, 2015**

	Cash Balance July 1, 2014	Receipts	Disbursements	Cash Balance June 30, 2015	Accounts Receivable	Accounts Payable	Fund Balance June 30, 2015
Tiger Graphics	763	2,190	2,023	930	-	-	930
Tiger TV	459	-	459	-	-	-	-
Athletic	28,084	110,134	118,240	19,978	-	-	19,978
CCFFAA	1,134	28,905	26,717	3,322	-	-	3,322
Baseball	2,891	8,388	2,915	8,364	-	-	8,364
Softball	4,962	6,264	4,146	7,080	-	-	7,080
Concessions	4,299	7,435	11,734	-	-	-	-
Christmas Tournament	-	1,500	1,500	-	-	-	-
Girls basketball	1,153	11,560	11,839	874	-	-	874
Boys basketball	1,628	7,484	9,110	2	-	-	2
Girl's soccer	4,603	10,112	12,072	2,643	-	-	2,643
Concessions - soccer	-	5,114	5,114	-	-	-	-
Boy's soccer	6,475	7,331	10,744	3,062	-	-	3,062
Track team	1,106	1,305	1,702	709	-	-	709
Girl's cross country	50	203	125	128	-	-	128
Boy's cross country	51	203	250	4	-	-	4
Friends of Tennis	3,513	4,758	6,462	1,809	-	-	1,809
Volleyball	6,257	19,361	24,257	1,361	-	-	1,361
Wrestling	-	1,035	900	135	-	-	135
Class of 2014	981	-	981	-	-	-	-
Class of 2015	3,084	3,792	5,761	1,115	-	-	1,115
Class of 2016	829	13,334	7,374	6,789	-	-	6,789
Class of 2017	-	696	-	696	-	-	696
Annual	21,110	21,335	28,431	14,014	-	-	14,014
Americorps	77	1,220	285	1,012	-	-	1,012
School to Work	263	-	263	-	-	-	-
Library	744	492	344	892	-	-	892
Spring musical	1,078	3,266	1,717	2,627	-	-	2,627
Cheerleaders Blue	241	6,653	5,917	977	-	-	977
English Department savings	566	64	-	630	-	-	630
English Department CD	9,000	-	-	9,000	-	-	9,000
CCHS scholarship fund	5,005	15	-	5,020	-	-	5,020
	177,772	446,009	457,309	166,472	-	-	166,472
Less: Interfund transfers	-	(44,821)	(44,821)	-	-	-	-
Totals	<u>\$ 177,772</u>	<u>\$ 401,188</u>	<u>\$ 412,488</u>	<u>\$ 166,472</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 166,472</u>

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

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures	
U.S. Department of Education				
Passed through State Department of Education:				
Title I Grants to Local Education Agencies***	84.010	310000214 310000213	\$ 497,767 108,387	\$ 606,154
Migrant Education - State Grant Program	84.011	311000214 311000213 311000212	56,635 25,413 477	82,525
Special Education - Grants to States**	84.027	381000214 381000213 381000212	222,237 143,635 87	365,959
Career and Technical Education - Basic Grants to States	84.048	371000214 371000213	16,538 175	16,713
Special Education Preschool Grants**	84.173	380000214 380000213	22,635 2,031	24,666
Rural School	84.358	314000214 314000213	24,340 5,807	30,147
Improving Teacher Quality State Grants	84.367	323000214 323000213	89,298 36,591	125,889
Race to the Top	84.413	396000211		5,212
Total U. S. Department of Education				<u>1,257,265</u>
U.S. Department of Agriculture				
Passed through State Department of Education:				
School Breakfast Program	* 10.553	7760005-14 7760005-15	34,049 126,420	160,469
National School Lunch Program	* 10.555	7750002-14 7750002-15	108,440 421,333	
Noncash Assistance - Commodities (Note 4)		Fund 51	74,723	604,496
Total U.S. Department of Agriculture				<u>764,965</u>
Total Expenditures of Federal Awards				<u>\$ 2,022,230</u>

*Child Nutrition Cluster

**Special Education Cluster

***Major Program

**CALDWELL 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 Caldwell 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 Office of Management and Budget (OMB) Circular A-133, *Audits of States, 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. Pass-through entity identifying numbers are presented where available.

NOTE 3 – SUBRECIPIENTS

There were no subrecipients during the fiscal year.

NOTE 4 – COMMODITIES

Nonmonetary assistance is reported in the schedule at the fair market value of the USDA food commodities received and disbursed.

INTERNAL CONTROL AND COMPLIANCE

MICHAEL A. KEM, CPA
SANDRA D. DUGUID, CPA
ANNA B. GENTRY, CPA
WALTER G. CUMMINGS, CPA



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

Kentucky State Committee
for School District Audits
Members of the
Caldwell County Board of Education
Princeton, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Caldwell County School District (the "District") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 3, 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 Caldwell County School 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 a 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.

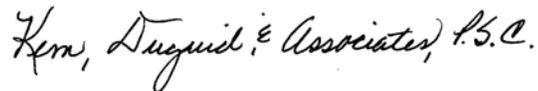
Compliance and Other Matters

As part of obtaining reasonable assurance about 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*. In addition, the results of our tests disclosed no material instances of noncompliance of specific state statutes or regulations identified in *Appendix II of the Independent Auditor's Contract – State Audit Requirements*.

Purpose of this Report

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

Kem, Duguid & Associates, P.S.C.



Certified Public Accountants
Hopkinsville, Kentucky

November 3, 2015

MICHAEL A. KEM, CPA
SANDRA D. DUGUID, CPA
ANNA B. GENTRY, CPA
WALTER G. CUMMINGS, CPA



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

Kentucky State Committee
for School District Audits
Members of the
Caldwell County Board of Education
Princeton, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Caldwell 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 auditors' 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 program.

Auditors' 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 State Committee for School District Audits in the *Independent Auditor's Contract*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, Caldwell County School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

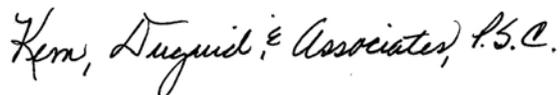
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the 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 federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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.

Kem, Duguid & Associates, P.S.C.



Certified Public Accountants
Hopkinsville, Kentucky

November 3, 2015

**CALDWELL COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ___ yes X no

Significant deficiency(ies) identified? ___ yes X none reported

Noncompliance material to financial statements noted? ___ yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? ___ yes X no

Significant deficiency(ies) identified? ___ yes X none reported

Type of auditors’ report issued on compliance for major programs: Unmodified

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

Identification of major federal programs:

Program Title	CFDA Number
Title 1 Grants to Local Education Agencies	84.010

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

Auditee qualified as a low-risk auditee? X yes ___ no

Section II – Financial Statement Findings

None reported

Section III – Federal Award Findings and Questioned Costs

None reported

**CALDWELL COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

There were no prior year findings to report for Caldwell County School District.

MANAGEMENT COMMENTS FOR AUDIT

MICHAEL A. KEM, CPA
SANDRA D. DUGUID, CPA
ANNA B. GENTRY, CPA
WALTER G. CUMMINGS, CPA



November 3, 2015

Members of the Board of Education
Caldwell County School District
Princeton, Kentucky

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

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate report dated November 3, 2015, contains our report on the District's internal control. This letter does not affect our report dated November 3, 2015, on the financial statements of Caldwell County School District.

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

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

Respectfully,

Kem, Duguid & Associates, P.S.C.

Certified Public Accountants
Hopkinsville, Kentucky

**CALDWELL COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

CALDWELL COUNTY MIDDLE SCHOOL

- I. **Condition** – Cash receipts testing of a randomly chosen sample revealed several instances of the Multiple Receipt Form not being signed by the student remitting money.

Criteria – *Accounting Procedures for Kentucky School Activity Funds* (Red Book) requires that students third grade and above must sign the Multiple Receipt Form.

Cause – Oversight.

Effect – Noncompliance with *Accounting Procedures for Kentucky School Activity Funds* (Red Book).

Recommendation – The person using the Multiple Receipt Form should require all students third grade and above remitting money to sign the form.

Response – The school will comply with the recommendation.

CALDWELL COUNTY HIGH SCHOOL

- I. **Condition** – Cash receipts testing of a randomly chosen sample revealed several instances of the Multiple Receipt Form not being signed by the student remitting money.

Criteria – *Accounting Procedures for Kentucky School Activity Funds* (Red Book) requires that students third grade and above must sign the Multiple Receipt Form.

Cause – Oversight.

Effect – Noncompliance with *Accounting Procedures for Kentucky School Activity Funds* (Red Book).

Recommendation – The person using the Multiple Receipt Form should require all students third grade and above remitting money to sign the form.

Response – The school will comply with the recommendation.

- II. **Condition** – Cash disbursements testing of a randomly chosen sample revealed multiple instances of the purchase order being approved after the purchase.

Criteria – *Accounting Procedures for Kentucky School Activity Funds* (Red Book) requires that the purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated.

Cause – Oversight.

Effect – Noncompliance with *Accounting Procedures for Kentucky School Activity Funds* (Red Book).

**CALDWELL COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

CALDWELL COUNTY HIGH SCHOOL, continued

Recommendation – Any purchase order should be approved by the sponsor and principal before payment is obligated.

Response – The school will comply with the recommendation.