

Campbell County School District

**Financial Statements
With Supplementary Information
Year Ended June 30, 2015
With Independent Auditors' Report**

CAMPBELL COUNTY SCHOOL DISTRICT

Year Ended June 30, 2015

Table of Contents

Independent Auditors' Report	1-2
Management's Discussion and Analysis (MD&A)	3-9
Basic Financial Statements:	
District Wide Financial Statements:	
Statement of Net Position - District Wide	10
Statement of Activities - District Wide	11
Fund Financial Statements:	
Balance Sheet - Governmental Funds	12
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	13
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	15
Statement of Net Position – Proprietary Fund	16
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund	17
Statement of Cash Flows - Proprietary Fund	18
Statement of Net Position – Fiduciary Funds	19
Notes to the Financial Statements	20-39

CAMPBELL COUNTY SCHOOL DISTRICT

Year Ended June 30, 2015

Table of Contents (Continued)

Supplementary Information:

Combining Statements - Nonmajor Funds

Combining Balance Sheet - Nonmajor Governmental Funds	40
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	41
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual – General Fund	42
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual – Special Revenue Fund	43
Statement of Receipts, Disbursements and Fund Balances - Bond and Interest Redemption Funds	44
Statement of Receipts, Disbursements and Fund Balances – Campbell County High School Activity Fund	45-47
Statement of Receipts, Disbursements and Fund Balances - School Activity Funds	48
Schedule of the District's Proportionate Share of the Net Pension Liability – KTRS	49
Schedule of District Contributions – KTRS	50
Schedule of the District's Proportionate Share of the Net Pension Liability – CERS	51
Schedule of District Contributions – CERS	52
Schedule of Expenditures of Federal Awards	53
Notes to the Schedule of Expenditures of Federal Awards	54
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>	55-56
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	57-58
Schedule of Findings and Questioned Costs	59-60
Management Letter Comments	61-63



Independent Auditors' Report

To the Members of the Board of Education
Campbell County School District
Alexandria, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Campbell County School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Campbell County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Campbell County School 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.

BARNES DENNIG

Independent Auditors' Report (Continued)

Other Matters

Change in Accounting Principle

As described in note 17 to the financial statements, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this item.

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 as listed in the table of contents 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 Campbell County School District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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 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 and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2015 on our consideration of the Campbell County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Campbell County School District's internal control over financial reporting and compliance.

Barnes, Dennig & Co., Ltd.

CAMPBELL COUNTY SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) Year Ended June 30, 2015

As management of Campbell County Board of Education (Board), the governing body for the Campbell County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the financial statements and notes. All amounts used in this MD&A are approximate amounts, except where more specific.

FINANCIAL HIGHLIGHTS

Campbell County Schools continues its commitment to high student academic achievement and preparation for college, career and life. Focus points guiding the District in 2015 include high academic achievement, enhanced building facilities, enhanced and increased technology facilities and school/community relations. These objectives served as the catalyst for many initiatives and projects throughout the year as the District strived to improve in several areas. Financial support came from several sources including General Funds and federal and state grants. Overall the District experienced a successful financial year being able to support the improvement initiatives and maintain a quality level of district operations.

- The District's governmental funds are accounted for using the modified accrual basis of accounting. In 2015, all governmental funds had total revenues and other financing sources of \$57.1 million and total expenditures and other financing uses of \$55.0 million. The ending General Fund balance increased from \$7.1 million at the end of 2014 to \$8.6 million at the end of 2015. The increase was attributable to the fact that General Fund revenues exceeded expenditures by \$1.5 million. A combination of increasing revenues and decreasing expenses for 2015 resulted in this increase.
- Our primary financial concern continues to be state funding which has not kept up with the increases in operating expenses due to inflation, increased salaries - some of which are a direct result of mandates by the state, and an increasing portion of the retirement shortfall that we have been asked to fund. After many years of not making the necessary contributions to fully fund the Kentucky Teachers' Retirement System (KTRS), the legislature passed along a portion of the funding shortfall to employees and a larger portion to school districts. As a result, our district has paid hundreds of thousands of dollars into the retirement system over the past five years and will pay millions of dollars in the future in an effort to help stabilize the fund. For the first time this year we are also being required to record the portion of the unfunded state liability in our financial statements attributable to our employees, as determined by KTRS. While it remains to be seen if districts, including our own, will end up shouldering more of this deficit over the years to come, if the state does not start responsibly funding the system it can be safely assumed that we will. This will continue to shift more of the responsibility for funding our education system onto the backs of school districts and subsequently local taxpayers. The continual erosion of state funding makes it increasingly difficult to maintain the high standard of education and programming that our students deserve without increasing taxes locally. In this climate of shrinking state support the Campbell County School District will maintain fiscally responsible policies in order to continue providing quality academic, extra-curricular and community service programs to all of its students

CAMPBELL COUNTY SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) Year Ended June 30, 2015 (Continued)

FINANCIAL HIGHLIGHTS (CONTINUED)

- Compared to the prior year, the 2014-15 expenses for salaries increased approximately 2.5%. In addition to the annual STEP increase employees receive based on another year of experience, this increase is also attributable to implementing the 1% State Mandated Wage Increase for school year 2014-15. As there were no considerable changes to the number of employees and/or positions from 2013-14 to 2014-15, this increase is reasonable and was budgeted for in the current year.
- The District has continued to look into ways to invest the District's money until the money is needed. The District currently has multiple Certificates of Deposit (CD) with an approximate value of \$370,000. This investment opportunity earns interest for the District.
- **Federal Funding.** The District is awarded several federal grants each year for the purpose of enhancing and supplementing educational activities in many areas. The grants also provide additional resources to serve some specified student populations. The District was awarded approximately \$3.3 million in educational federal grant awards in 2015. This was considerably higher than that received in 2014. These funds are very instrumental in improving and advancing instruction quality, curriculum, technology and ultimately student assessment performance.

The District has increased efforts to apply for competitive grants. The following grants were awarded during the 2014-15 school year:

- Elementary and Secondary Counselor Grants, \$725,000
 - 21st Century Community Learning Centers Grant, \$624,000
 - Read to Achieve Grant, \$145,500 (administered through the State)
 - Northern Kentucky Coop Regional Grant – 16 districts are collaborating on a \$30 million grant for the Northern Kentucky Coop to be able to provide services to the Northern Kentucky school districts - \$103,000
- **State Funding.** The District's state funding, representing approximately 35% of General Fund receipts (net of on- behalf payments), is highly dependent on the receipt and budgeting of the revenues of the Commonwealth of Kentucky. Unfortunately, the state continues to experience significant budgetary problems related to deterioration in state revenues caused by the decline in the economy. Thus state SEEK and education grant funding have become very vulnerable to reductions in this environment.

The most significant factor in determining the amount of state funds that the District receives is the Support Excellence in Kentucky Education (SEEK) base per average daily student attendance (ADA). The 2014-15 SEEK base was \$3,911 per ADA, slightly higher than the \$3,827 of the prior year. Total 2015 SEEK funds increased by approximately \$610,000 over 2014. SEEK tentative projections for 2015/2016 indicate a decrease of approximately \$90,000.

The district continues to apply for competitive state grants.

CAMPBELL COUNTY SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) Year Ended June 30, 2015 (Continued)

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 are comprised of three components: 1) district-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 12 through 19 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 20 through 39 of this report.

CAMPBELL COUNTY SCHOOL DISTRICT

**Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2015
(Continued)**

DISTRICT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$17,635,883 as of June 30, 2015.

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

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

Net Position for the Periods Ending June 30, 2015 and 2014

The following is a summary of net position for the fiscal years ended June 30, 2015 and 2014.

	<u>2015</u>	<u>2014</u>
Current assets	\$ 11,635,080	\$ 9,185,809
Noncurrent assets	69,104,121	71,604,795
Total assets	<u>80,739,201</u>	<u>80,790,604</u>
Deferred Outflows	2,219,666	-
Current liabilities	5,783,623	5,782,234
Noncurrent liabilities	59,539,360	52,205,849
Total liabilities	<u>65,322,983</u>	<u>57,988,083</u>
Net position		
Investment in capital assets (net of debt)	17,201,456	16,464,863
Restricted	648,261	-
Unrestricted	<u>(213,833)</u>	<u>6,337,658</u>
Total net position	<u>\$ 17,635,884</u>	<u>\$ 22,802,521</u>

CAMPBELL COUNTY SCHOOL DISTRICT

**Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2015
(Continued)**

DISTRICT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Comments on General Fund Budget Comparisons

- **On-Behalf Payments and Budget Variances.** As part of GASB 34, the District's financial statements show payments made by the Commonwealth of Kentucky that benefited the students or the employees of the District. For the General Fund, these include amounts paid by the state for teacher retirement, health insurance, flexible-spending health benefit contributions, life insurance, and expenses related to the education of District students at state-operated schools. For the audited financial reports, such on-half payments were added to the District's related revenue and expense line items for the General Fund. (See Note 14 – On-Behalf Payments for Fringe Benefits, of the accompanying Financial Statements for the year ended June 30, 2015.)

It is notable that on-behalf payments represent state obligations that are not District obligations. Therefore, they have not been included as part of the budgeting process for the General Fund. As a result, the variances between amounts budgeted for the General Fund and the actual results (see Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – General Fund on page 43 of the accompanying financial statements) may be skewed by on-behalf payments.

CAMPBELL COUNTY SCHOOL DISTRICT

**Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2015
(Continued)**

DISTRICT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The following table presents a summary of revenues and expenses for the fiscal years ended June 30, 2015 and 2014.

	<u>2015</u>	<u>2014</u>
Revenues		
Program revenues		
Charges for services	\$ 1,557,753	\$ 1,520,085
Operating grants	5,834,093	5,624,320
Capital grants	<u>1,457,476</u>	<u>1,490,662</u>
Total grant revenues	<u>8,849,322</u>	<u>8,635,067</u>
General Revenues		
Taxes	24,079,425	23,465,495
Grants and entitlements	24,343,228	19,628,168
Earnings on investments	28,617	24,815
Loss on sale of capital assets	(3,146)	(4,963)
Miscellaneous	<u>1,822,606</u>	<u>613,527</u>
Total general revenues	<u>50,270,730</u>	<u>43,727,042</u>
Total revenues	<u>59,120,052</u>	<u>52,362,109</u>
Expenses		
Instructional	28,589,479	23,663,410
Student support services	3,578,667	2,936,074
Staff support	2,640,725	2,730,578
District administration	1,385,606	1,486,946
School administration	2,620,161	2,440,802
Business support	1,404,760	1,427,743
Plant operations	5,164,244	5,648,542
Student transportation	4,929,075	4,745,528
Food service operation	2,398,170	2,782,562
Facilities acquisition and construction	18,075	-
Community service	372,477	352,201
Interest on long-term debt	<u>1,555,251</u>	<u>2,220,787</u>
Total expenses	<u>54,656,690</u>	<u>50,435,173</u>
Excess of revenues over expenses	<u>\$ 4,463,362</u>	<u>\$ 1,926,936</u>

CAMPBELL COUNTY SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) Year Ended June 30, 2015 (Continued)

DISTRICT-WIDE FINANCIAL ANALYSIS (CONTINUED)

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budget is prepared according to Kentucky law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. In Kentucky, the public school fiscal year is July 1 through June 30. Some programs relating to federal and state grants operate on a different fiscal year but are nevertheless reflected in the overall budget. A tentative budget is adopted by the District by the end of May for the subsequent year. A working budget is adopted by the end of September for each fiscal year following the determination of the enrollment at the beginning of the new school year, the tax assessments and rates that will be used to determine the property tax revenues, and the salaries for new employees/positions.

The most significant budgeted fund is the General Fund. The working budget mirrors the tentative budget that was presented in May. The tentative Budget was \$37.9 million and the working budget was \$40.6 million. By law, the budget for the General Fund must have a minimum 2% contingency based on budgeted expenses for all funds. For 2014-15 our budgeted contingency was \$369,046 more than required by law.

ACADEMIC ACHIEVEMENT HIGHLIGHTS

- Campbell County is a KY Distinguished District (97th Percentile) on State Assessments
- Campbell County has achieved 5 National Rankings in the past 3 years
- CCHS was listed as one of the best public high schools in the nation – Newsweek
- CCHS was listed as one of the most challenging high schools in the nation – Washington Post
- CCHS achieved a label of "School of Distinction" which is the highest classification on Kentucky State Assessments
- All Elementary Schools and the Middle School are ranked above the State Average, with Cline Elementary and Reiley Elementary ranked in the top 2% in the State
- District Composite ACT Score 21.1
- CCMS has received RAMP certification which is a National Ranking for Counseling programs
- Campbell County School District received the Kentucky School Board Association's prestigious PEAK award for its counseling programs
- Cline Elementary is a National Blue Ribbon School

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to reflect the District's accountability for the funds it receives. Questions or comments about this report should be directed to Dr. Shelli Wilson, Superintendent, or Ms. Tracey Jolly, Finance Director, by telephone at 859-635-2173 or by mail to the Central Office, 101 Orchard Lane, Alexandria, KY 41001.

CAMPBELL COUNTY SCHOOL DISTRICT

**Statement of Net Position – District Wide
Year Ended June 30, 2015**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Current:			
Cash and cash equivalents	\$ 10,075,576	\$ 150,868	\$ 10,226,444
Accounts receivable	1,374,532	50	1,374,582
Inventories for consumption	-	34,054	34,054
Total current	<u>11,450,108</u>	<u>184,972</u>	<u>11,635,080</u>
Noncurrent:			
Construction in process			
Land	5,090,767	-	5,090,767
Depreciated capital assets:			
Land improvements	6,319,954	-	6,319,954
Buildings and improvements	81,357,537	1,458,374	82,815,911
Furniture and equipment	14,260,256	4,350,686	18,610,942
Less: accumulated depreciation	<u>(41,054,464)</u>	<u>(2,678,989)</u>	<u>(43,733,453)</u>
Total noncurrent	<u>65,974,050</u>	<u>3,130,071</u>	<u>69,104,121</u>
Total assets	<u>77,424,158</u>	<u>3,315,043</u>	<u>80,739,201</u>
Deferred Outflows	<u>2,185,342</u>	<u>34,324</u>	<u>2,219,666</u>
Liabilities and Net Position			
Liabilities			
Current:			
Current portion of bonds payable	3,324,688	-	3,324,688
Accounts payable	1,100,317	34,549	1,134,866
Accrued interest	652,123	-	652,123
Accrued sick leave	33,651	-	33,651
Unearned revenues	<u>638,295</u>	<u>-</u>	<u>638,295</u>
Total current	<u>5,749,074</u>	<u>34,549</u>	<u>5,783,623</u>
Noncurrent:			
Accrued sick leave	302,863	-	302,863
CERS net pension liability	9,352,502	277,498	9,630,000
Bond obligations	<u>49,606,497</u>	<u>-</u>	<u>49,606,497</u>
Total noncurrent	<u>59,261,862</u>	<u>277,498</u>	<u>59,539,360</u>
Total liabilities	<u>65,010,936</u>	<u>312,047</u>	<u>65,322,983</u>
Net Position			
Invested in capital assets, net of related debt	14,071,385	3,130,071	17,201,456
Restricted	741,012	(92,751)	648,261
Unrestricted	<u>(213,833)</u>	<u>-</u>	<u>(213,833)</u>
Total net position	<u>\$ 14,598,564</u>	<u>\$ 3,037,320</u>	<u>\$ 17,635,884</u>

The accompanying notes are an integral part of these financial statements.

CAMPBELL COUNTY SCHOOL DISTRICT

**Statement of Activities – District Wide
Year Ended June 30, 2015**

Functions/Programs	Expenses	Program Revenues			Net (expense) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instructional	\$ 28,589,479	\$ 190,045	\$ 2,266,342	\$ -	\$ (26,133,092)	\$ -	\$ (26,133,092)
Student support services	3,578,667	-	1,025,209	-	(2,553,458)	-	(2,553,458)
Staff support services	2,640,725	-	557,622	-	(2,083,103)	-	(2,083,103)
District administration	1,385,606	-	-	-	(1,385,606)	-	(1,385,606)
School administration	2,620,161	-	14,102	-	(2,606,059)	-	(2,606,059)
Business support services	1,404,760	-	8,390	-	(1,396,370)	-	(1,396,370)
Plant operation and maintenance	5,164,244	-	79,123	-	(5,085,121)	-	(5,085,121)
Student transportation	4,929,075	447,923	101,151	-	(4,380,001)	-	(4,380,001)
Food service operation	-	-	-	-	-	-	-
Community service operations	372,477	-	270,515	-	(101,962)	-	(101,962)
Facility acquisition and construction	18,075	-	-	-	(18,075)	-	(18,075)
Interest on long-term debt	1,555,251	-	-	1,457,476	(97,775)	-	(97,775)
Total governmental activities	52,258,520	637,968	4,322,454	1,457,476	(45,840,622)	-	(45,840,622)
Business-type Activities:							
Food service	2,398,170	919,785	1,511,639	-	-	33,254	33,254
Total business-type activities	2,398,170	919,785	1,511,639	-	-	33,254	33,254
Total school district	\$ 54,656,690	\$ 1,557,753	\$ 5,834,093	\$ 1,457,476	(45,840,622)	33,254	(45,807,368)
			General revenues:				
			Taxes	\$ 24,079,425	\$ -	\$ 24,079,425	
			State and federal sources	24,343,228	-	24,343,228	
			Investment earnings	26,966	1,651	28,617	
			Miscellaneous	1,822,606	-	1,822,606	
			Special items:				
			Loss on disposal of fixed assets	(3,146)	-	(3,146)	
			Bond proceeds	-	-	-	
			Fund transfer	127,566	(127,566)	-	
			Total general and business revenues	50,396,645	(125,915)	50,270,730	
			Change in net position	4,556,023	(92,661)	4,463,362	
			Net position - beginning	19,395,042	3,407,479	22,802,521	
			Net position adjustment (note 17)	(9,352,502)	(277,498)	(9,630,000)	
			Net position - ending	\$ 14,598,564	\$ 3,037,320	\$ 17,635,883	

The accompanying notes are an integral part of these financial statements.

CAMPBELL COUNTY SCHOOL DISTRICT

**Balance Sheet – Governmental Funds
Year Ended June 30, 2015**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Current:				
Cash (overdraft) and cash equivalents	\$ 9,084,364	\$ (37,098)	\$ 1,028,310	\$ 10,075,576
Accounts receivable	578,689	795,843	-	1,374,532
Total current	<u>\$ 9,663,053</u>	<u>\$ 758,745</u>	<u>\$ 1,028,310</u>	<u>\$ 11,450,108</u>
Liabilities and Fund Balances				
Liabilities				
Current:				
Accounts payable	\$ 943,740	\$ 120,450	\$ 36,127	\$ 1,100,317
Unearned revenue	-	638,295	-	638,295
Current portion of accumulated sick leave	100,000	-	-	100,000
Total liabilities	<u>1,043,740</u>	<u>758,745</u>	<u>36,127</u>	<u>1,838,612</u>
Fund Balances				
Restricted:				
Capital projects	-	-	741,012	741,012
Committed:				
Sick leave	168,257	-	-	168,257
Other	371,826	-	251,171	622,997
Assigned:	2,030,123	-	-	2,030,123
Unrestricted	6,049,107	-	-	6,049,107
Total fund balances	<u>8,619,313</u>	<u>-</u>	<u>992,183</u>	<u>9,611,496</u>
Total liabilities and fund balances	<u>\$ 9,663,053</u>	<u>\$ 758,745</u>	<u>\$ 1,028,310</u>	<u>\$ 11,450,108</u>

The accompanying notes are an integral part of these financial statements.

CAMPBELL COUNTY SCHOOL DISTRICT

**Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Position
As of June 30, 2015**

Total governmental fund balance		\$ 9,611,496
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of capital assets	107,028,514	
Accumulated depreciation	<u>(41,054,464)</u>	65,974,050
Deferred outflows		
CERS contributions made after the measurement date	1,156,822	
Bond refinancing	<u>1,028,520</u>	2,185,342
Long-term liabilities (including bonds payable) are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Long-term liabilities at year end consist of:		
Bonds payable		(52,931,185)
Accrued interest on bonds		(652,123)
Net pension liability		(9,352,502)
Additional accrued sick leave (district wide sick leave of \$336,514 less \$100,000 sick leave presented on General Fund balance sheet)		<u>(236,514)</u>
Total net position - governmental		<u>\$ 14,598,564</u>

The accompanying notes are an integral part of these financial statements.

CAMPBELL COUNTY SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2015**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes	\$ 20,417,357	\$ -	\$ 3,662,068	\$ 24,079,425
Earnings on investments	26,966	-	-	26,966
State sources	20,875,988	1,505,319	1,457,476	23,838,783
Federal sources	191,297	2,761,332	-	2,952,629
Other sources	<u>927,833</u>	<u>55,803</u>	<u>375,919</u>	<u>1,359,555</u>
Total revenues	<u>42,439,441</u>	<u>4,322,454</u>	<u>5,495,463</u>	<u>52,257,358</u>
Expenditures				
Instructional	22,533,314	2,307,778	114,716	24,955,808
Student support services	2,551,302	1,025,209	-	3,576,511
Staff support services	1,237,092	557,622	4,919	1,799,633
District administration	1,260,499	-	-	1,260,499
School administration	2,591,927	14,102	-	2,606,029
Business support services	1,323,492	8,390	-	1,331,882
Plant operation and maintenance	4,676,462	79,123	5,113	4,760,698
Student transportation	4,393,917	101,151	-	4,495,068
Community service operations	101,962	270,515	-	372,477
Facility acquisition and construction	-	-	18,075	18,075
Debt service:				
Principal	209,881	-	3,138,866	3,348,747
Interest	<u>22,629</u>	<u>-</u>	<u>1,553,185</u>	<u>1,575,814</u>
Total expenditures	<u>40,902,477</u>	<u>4,363,890</u>	<u>4,834,874</u>	<u>50,101,241</u>
Excess (deficit) of revenues over expenditures	<u>1,536,964</u>	<u>(41,436)</u>	<u>660,589</u>	<u>2,156,117</u>
Other financing sources (uses)				
Operating transfers in	127,566	107,461	4,937,421	5,172,448
Operating transfers out	<u>(125,536)</u>	<u>(66,025)</u>	<u>(4,853,321)</u>	<u>(5,044,882)</u>
Total other financing sources	<u>2,030</u>	<u>41,436</u>	<u>84,100</u>	<u>127,566</u>
Net change in fund balance	1,538,994	-	744,689	2,283,683
Fund balance, July 1, 2014	<u>7,080,319</u>	<u>-</u>	<u>247,494</u>	<u>7,327,813</u>
Fund balance, June 30, 2015	<u>\$ 8,619,313</u>	<u>\$ -</u>	<u>\$ 992,183</u>	<u>\$ 9,611,496</u>

The accompanying notes are an integral part of these financial statements.

CAMPBELL COUNTY SCHOOL DISTRICT

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance of Governmental Funds to the Statement of Activities
Year Ended June 30, 2015**

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

Net changes-governmental funds		\$ 2,283,683
Proceeds from Bond Sale		\$(18,270,000)
Governmental funds report capital outlays as expenditures because they use current financial resources. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation expense for the year.		
Depreciation expense	\$ (3,134,630)	
Capital outlays	807,047	
Retirement of capital assets	<u>(3,146)</u>	
		(2,330,729)
Bond and capital lease proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.		
Bond principal paid		20,478,747
Deferred outflow from bond refinancing		1,028,520
Deferred outflow CERS contributions made after the measurement date		1,156,822
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.		
		<u>208,980</u>
Changes in net position of governmental activities		<u><u>\$ 4,556,023</u></u>

The accompanying notes are an integral part of these financial statements.

CAMPBELL COUNTY SCHOOL DISTRICT

**Statement of Net Position – Proprietary Funds
As of June 30, 2015**

	<u>Food Service</u>	<u>Total</u>
Assets		
Current		
Cash and cash equivalents	\$ 150,868	\$ 150,868
Accounts receivable	50	50
Inventories for consumption	<u>34,054</u>	<u>34,054</u>
Total current	<u>184,972</u>	<u>184,972</u>
Noncurrent		
Furniture and Fixtures	5,809,060	5,809,060
Less: accumulated depreciation	<u>(2,678,989)</u>	<u>(2,678,989)</u>
Total noncurrent	<u>3,130,071</u>	<u>3,130,071</u>
Total assets	<u>3,315,043</u>	<u>3,315,043</u>
Deferred outflows	<u>34,324</u>	<u>34,324</u>
Liabilities and Net Position		
Liabilities		
Current		
CERS net pension liability	277,498	277,498
Accounts payable	<u>34,549</u>	<u>34,549</u>
Total current	<u>312,047</u>	<u>312,047</u>
Net Position		
Invested in assets, net of debt	3,130,071	3,130,071
Restricted	<u>(92,751)</u>	<u>(92,751)</u>
Total net position	<u>\$ 3,037,320</u>	<u>\$ 3,037,320</u>

The accompanying notes are an integral part of these financial statements.

CAMPBELL COUNTY SCHOOL DISTRICT

**Statement of Revenues, Expenses and Changes in Net Position –
Proprietary Funds
Year Ended June 30, 2015**

	<u>Food Service</u>	<u>Total</u>
Operating revenues		
Lunchroom sales	\$ 918,427	\$ 918,427
Other operating revenues	1,358	1,358
Total operating revenues	<u>919,785</u>	<u>919,785</u>
Operating expenses		
Salaries and benefits	1,049,305	1,049,305
Contract services	48,440	48,440
Materials and supplies	1,125,432	1,125,432
Depreciation	169,945	169,945
Other operating expenses	5,048	5,048
Total operating expenses	<u>2,398,170</u>	<u>2,398,170</u>
Operating loss	<u>(1,478,385)</u>	<u>(1,478,385)</u>
Nonoperating revenues (expenses)		
Federal grants	1,226,934	1,226,934
State grants	137,506	137,506
Donated commodities and other donations	147,199	147,199
Transfers	(127,566)	(127,566)
Loss on disposal of capital assets	-	-
Interest income	1,651	1,651
Total nonoperating revenues	<u>1,385,724</u>	<u>1,385,724</u>
Net loss	(92,661)	(92,661)
Total net position, July 1, 2014	3,407,479	3,407,479
Net position adjustment	<u>(277,498)</u>	<u>(277,498)</u>
Total net position, June 30, 2015	<u>\$ 3,037,320</u>	<u>\$ 3,037,320</u>

The accompanying notes are an integral part of these financial statements.

CAMPBELL COUNTY SCHOOL DISTRICT

**Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2015**

	Food Service Fund	Total
Cash flows from operating activities		
Cash received from lunchroom sales	\$ 918,427	\$ 918,427
Cash received from other activities	1,358	1,358
Cash payments to employees for services	(1,132,069)	(1,132,069)
Cash payments to suppliers for goods and services	<u>(1,081,588)</u>	<u>(1,081,588)</u>
Net cash used in operating activities	<u>(1,293,872)</u>	<u>(1,293,872)</u>
Cash flows from capital financing activities		
Transfers	<u>(127,566)</u>	<u>(127,566)</u>
Net cash used in capital financing activities	<u>(127,566)</u>	<u>(127,566)</u>
Cash flows from noncapital financing activities		
Non-operating revenues received	<u>1,511,639</u>	<u>1,511,639</u>
Net cash provided by noncapital financing activities	<u>1,511,639</u>	<u>1,511,639</u>
Cash flows from investing activities		
Interest on investments	<u>1,651</u>	<u>1,651</u>
Net cash flows provided by investing activities	<u>1,651</u>	<u>1,651</u>
Net increase in cash and cash equivalents	91,852	91,852
Cash and cash equivalents - beginning	<u>59,016</u>	<u>59,016</u>
Cash and cash equivalents - ending	<u>\$ 150,868</u>	<u>\$ 150,868</u>
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (1,478,385)	\$ (1,478,385)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	169,945	169,945
Changes in assets and liabilities:		
Increase in deferred outflows	(34,324)	
Increase in accounts payable	22,670	22,670
Decrease in inventories	<u>26,222</u>	<u>26,222</u>
Net cash used in operating activities	<u>\$ (1,293,872)</u>	<u>\$ (1,259,548)</u>
Schedule of non-cash transactions		
Donated commodities received from federal government	<u>\$ 147,199</u>	<u>\$ 147,199</u>

The accompanying notes are an integral part of these financial statements.

CAMPBELL COUNTY SCHOOL DISTRICT

Statement of Net Position – Fiduciary Funds
Year Ended June 30, 2015

	<u>School Activity Funds</u>	<u>Total</u>
Assets		
Cash and cash equivalents	<u>\$ 463,111</u>	<u>\$ 463,111</u>
Total assets	<u>463,111</u>	<u>463,111</u>
Liabilities		
Due to student groups	<u>463,111</u>	<u>463,111</u>
Total liabilities	<u><u>\$ 463,111</u></u>	<u><u>\$ 463,111</u></u>

The accompanying notes are an integral part of these financial statements.

CAMPBELL COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Campbell 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 Campbell 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" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. 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 Campbell County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Parent-Teacher Associations, etc.

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

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

Campbell County School District Finance Corporation - The Board authorized the establishment of the Campbell County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the District for financing the costs of school building facilities. The Board Members of the Campbell County Board of Education also comprise the Corporation's Board of Directors.

Basis of Presentation

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

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

CAMPBELL COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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

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

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

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the schedule of expenditures of federal awards included in this report on pages 52. This is a major fund of the District.

CAMPBELL COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

I. Governmental Fund Types (cont'd)

- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).
- 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay funds and is restricted for use in financing projects identified in the District's facility plan.
- 2. The Facility Support Program of Kentucky Fund (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.
- 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.

II. Debt Service Fund

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

III. Proprietary Fund (Enterprise Fund)

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

IV. Fiduciary Fund Type (Agency and Trust Funds)

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

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

CAMPBELL COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

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.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

Taxes

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

CAMPBELL COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Process

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

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

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

Cash and Cash Equivalents

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

Inventories

Supplies and materials are charged to expenditures when purchased, except for inventories in the Proprietary Fund, which are capitalized at the lower of cost or market.

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 district-wide statement of net assets 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 district-wide statement of net assets and in the respective funds.

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

CAMPBELL COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Other	10 years

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's experience of making termination payments. The entire compensated absence liability is reported on the district-wide financial statements.

Interfund Balances

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

Accrued Liabilities and Long-Term Obligations

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

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

CAMPBELL COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Reserves

Beginning with fiscal year 2012 the District implemented GASB Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the District's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the District itself, using its decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the District takes the action to remove or change the constraint.

Assigned fund balance – amounts the District intends to use for specific purpose (such as encumbrances); intent can be expressed by the District or by an official or body to which the District delegates the authority.

Unassigned fund balance – amounts that are available for purpose; positive amounts are reported only in the General fund.

It is the Board's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board or managerial obligations, using restricted funds first, followed by committed funds, assigned funds, then unassigned funds.

Encumbrances are not liabilities and are not recorded as expenditures until receipt of material or service. Encumbrances remaining open at the end of the fiscal year are automatically re-budgeted in the following fiscal year. Encumbrances are considered a managerial assignment of fund balance in the governmental funds balance sheet.

Net Position

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

Operating Revenues and Expenses

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

CAMPBELL COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Activity

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

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 Teachers 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.

NOTE 2 ESTIMATES

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

NOTE 3 CASH AND CASH EQUIVALENTS

The District maintains its cash in bank deposit accounts which, at times, exceed federally insured limits. The amounts exceeding the federally insured limits are covered by a collateral agreement and the collateral is held by the pledging banks' trust departments in the District's name. The District has not experienced any losses in such accounts and the District believes it is not exposed to any significant credit risk on cash and cash equivalents.

CAMPBELL COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 4 CAPITAL ASSETS

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

<u>Governmental Activities</u>	Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015
Land	\$ 5,090,767	\$ -	\$ -	\$ 5,090,767
Land improvements	6,319,954	-	-	6,319,954
Construction in progress	-	-	-	-
Buildings and improvements	81,339,462	18,075	-	81,357,537
Technology equipment	3,809,242	56,100	252,853	3,612,489
Vehicles	5,785,426	574,646	125,596	6,234,476
General equipment	4,257,485	158,226	2,420	4,413,291
Totals at historical cost	106,602,336	807,047	380,869	107,028,514
Less: accumulated depreciation				
Land improvements	2,385,883	271,422	-	2,657,305
Buildings and improvements	26,858,369	1,768,690	-	28,627,059
Technology equipment	2,935,000	372,998	249,812	3,058,186
Vehicles	3,897,376	410,592	125,596	4,182,372
General equipment	2,220,929	310,928	2,315	2,529,542
Total accumulated depreciation	38,297,557	3,134,630	377,723	41,054,464
Governmental activities capital assets - net	\$ 68,304,779	\$ (2,327,583)	\$ 3,146	\$ 65,974,050
<u>Business - Type Activities</u>				
General equipment	\$ 4,340,837	\$ -	\$ -	\$ 4,340,837
Buildings and improvements	1,458,374	-	-	1,458,374
Technology equipment	12,648	-	2,799	9,849
Totals at historical cost	5,811,859	-	2,799	5,809,060
Less: accumulated depreciation				
General equipment	1,413,041	92,456	-	1,505,497
Buildings and improvements	1,087,407	75,546	-	1,162,953
Technology equipment	11,395	1,943	2,799	10,539
Total accumulated depreciation	2,511,843	169,945	2,799	2,678,989
Business - type activities capital assets - net	\$ 3,300,016	\$ (169,945)	\$ -	\$ 3,130,071

Depreciation expense by function for the fiscal year ended June 30, 2015 was as follows:

	<u>Governmental</u>	<u>Business-Type</u>
Instructional	\$ 365,285	\$ -
Student support services	2,156	-
Staff support services	841,092	-
District administration	125,107	-
School administration	14,132	-
Business support services	72,878	169,945
Plant operation and maintenance	1,279,973	-
Student transportation	434,007	-
Total	\$ 3,134,630	\$ 169,945

CAMPBELL COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 5 ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon providing proof of qualification as an annuitant from the Kentucky Teacher's Retirement System, certified and classified employees will receive from the District an amount equal to 30% of the value of accumulated sick leave. At June 30, 2015 this amount totaled approximately \$336,574 for those employees with twenty-seven or more years of experience.

NOTE 6 LEASE OBLIGATIONS AND BONDED DEBT

The amount shown in the accompanying financial statements as lease obligations represents the District's future obligations to make lease payments relating to the bonds issued.

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

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
January 1, 2004	\$ 371,202	1.000% - 3.500%
February 1, 2004	13,425,000	1.100% - 4.470%
October 1, 2004	7,050,000	1.860% - 3.750%
January 1, 2005	393,835	3.000% - 3.625%
January 1, 2006	418,818	3.300% - 4.000%
July 1, 2006	18,015,000	4.000% - 5.000%
September 1, 2006	425,343	3.500% - 3.875%
January 1, 2008	476,689	3.000% - 3.750%
January 1, 2009	355,025	3.100% - 3.900%
January 1, 2009	237,430	2.300% - 3.250%
October 1, 2010	595,000	2.000% - 2.700%
August 1, 2011	17,200,000	2.000% - 4.375%
July 1, 2012	1,250,000	2.000% - 3.600%
August 1, 2012	11,975,000	2.000% - 2.625%
February 1, 2013	5,495,000	0.900%
February 1, 2014	415,000	2.000% - 3.000%
December 1, 2014	18,270,000	0.300% - 2.500%

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEEK) Capital Outlay Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Kenton County Fiscal Court and the Campbell County School District Finance Corporation to construct school facilities.

The District entered into "participation agreements" with the School Facility Construction Commission (Commission). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. Note 15 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 has been recorded in the financial statements.

All issues may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2015 for debt service (principal and interest) are reported in Note 15.

CAMPBELL COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 7 CONTINGENCIES

Grant Fund Approval

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

NOTE 8 INSURANCE AND RELATED ACTIVITIES

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

NOTE 9 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for 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 Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days' notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

The District is self-insured for unemployment insurance benefits. The District reimburses the state for any claims paid. The District purchases workers' compensation insurance through the Kentucky School Boards Insurance Trust. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 10 DEFICIT OPERATING/FUND BALANCES

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

Debt Service Fund	\$ 247,494
Campbell County High School	134,915
Food Service Fund	92,661
Campbell County Middle	31,386
Campbell Ridge Elementary	16,569
Crossroads Elementary	11,536
Grant Lick Elementary	7,525
John W. Reily Elementary	5,412
Donald E. Cline Elementary	122

CAMPBELL COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 11 COBRA

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

NOTE 12 CONTINGENT LIABILITY

The District is a participant in the Kentucky School Board Insurance Trust in which the District purchases general liability and workers' compensation insurance. As of June 30, 2014, the District has been notified of a deficit in the trust and has been given a preliminary assessment of its portion of the deficit of \$69,380. This contingent liability was paid in full at the beginning of the 2015 year.

NOTE 13 TRANSFER OF FUNDS

The following transfers were made during the year.

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	Special Revenue Fund	Matching	\$ 107,461
General Fund	Construction Fund	Construction	\$ 18,075
Food Service	General Fund	Indirect Cost	\$ 127,566
Capital Outlay Fund	Debt Service Fund	Debt Service	\$ 450,241
Building Fund	Debt Service Fund	Debt Service	\$ 2,921,056
Special Revenue Fund	Debt Service Fund	Debt Service	\$ 66,025

NOTE 14 ON-BEHALF PAYMENTS

For the year ended June 30, 2015 total payments of \$8,798,737 were made for life insurance, health insurance, KTRS matching and administrative fees by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the statement of activities.

General Fund	\$ 7,653,994
Debt Service	1,007,237
Food Service	<u>137,506</u>
Total On-Behalf	<u>\$ 8,798,737</u>

CAMPBELL COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

NOTE 15 SCHEDULE OF LONG-TERM OBLIGATIONS

2004, 2004B, 2006, 2010-REF, 2011, 2012, 2012-REF, 2013-REF, 2014, 2014B and KISTA Bus Loans

Fiscal Year	Campbell County School District			KY School Facilities Construction Commission			Total Requirements
	Principal	Interest	Total	Principal	Interest	Total	
2015-2016	2,627,479	1,266,728	3,894,207	697,209	304,425	1,001,634	4,895,841
2016-2017	2,633,763	1,208,947	3,842,710	687,435	287,857	975,292	4,818,002
2017-2018	2,637,146	1,159,345	3,796,491	662,865	272,071	934,936	4,731,427
2018-2019	2,661,371	1,110,686	3,772,057	658,917	255,728	914,645	4,686,702
2019-2020	2,757,278	1,045,928	3,803,206	577,722	238,857	816,579	4,619,785
2020-2021	2,835,375	972,022	3,807,397	594,625	222,526	817,151	4,624,548
2021-2022	2,908,290	895,230	3,803,520	616,710	205,060	821,770	4,625,290
2022-2023	2,989,932	814,770	3,804,702	630,068	186,285	816,353	4,621,055
2023-2024	3,073,891	730,075	3,803,966	651,109	165,878	816,987	4,620,953
2024-2025	3,156,756	618,246	3,775,002	473,244	143,520	616,764	4,391,766
2025-2026	3,255,873	515,779	3,771,652	489,127	125,621	614,748	4,386,400
2026-2027	3,352,465	410,015	3,762,480	487,535	107,301	594,836	4,357,316
2027-2028	1,539,643	325,488	1,865,131	445,357	89,436	534,793	2,399,924
2028-2029	1,609,074	261,508	1,870,582	465,926	71,437	537,363	2,407,945
2029-2030	1,678,932	192,643	1,871,575	486,068	52,071	538,139	2,409,714
2030-2031	1,752,437	118,632	1,871,069	512,563	31,160	543,723	2,414,792
2031-2032	1,835,360	40,149	1,875,509	424,640	11,319	435,959	2,311,468
2032-2033	-	-	-	65,000	1,170	66,170	66,170
	<u>\$ 43,305,065</u>	<u>\$ 11,686,191</u>	<u>\$ 54,991,256</u>	<u>\$ 9,626,120</u>	<u>\$ 2,771,722</u>	<u>\$ 12,397,842</u>	<u>\$ 67,389,098</u>

A summary of the changes in the principal of the outstanding bond obligations and the capital leases for the District during the year ended June 30, 2015 is as follows:

Governmental Activities	Balance July 1, 2014	Additions	Payments	Balance June 30, 2015
Bond Obligations	<u>\$ 55,139,932</u>	<u>\$ 18,270,000</u>	<u>\$ 20,478,747</u>	<u>\$ 52,931,185</u>

CAMPBELL COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 16 RETIREMENT PLANS

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

General information about the County Employees Retirement System Non-Hazardous

Plan description

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

Benefits provided

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

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

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

CAMPBELL COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 16 RETIREMENT PLANS (CONTINUED)

Contributions

Required contributions by the employee are based on the following tier:

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

The contribution requirement for CERS for the year ended June 30, 2015, was \$1,539,660, which consisted of \$1,191,146 from the District and \$348,514 from the employees. Total contributions for the year ended June 30, 2014 and 2013 were \$1,661,890 and \$1,735,790, respectively. The contributions have been contributed in full for fiscal years 2015, 2014 and 2013.

General information about the Teachers' Retirement System of the State of Kentucky

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

CAMPBELL COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 16 RETIREMENT PLANS (CONTINUED)

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

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

Contributions—Contribution rates are established by Kentucky Revised Statutes. 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 contribution requirement for KTRS for the year ended June 30, 2015, was \$2,931,910, which consisted of \$610,854 from the District and \$2,321,056 from the employees. Total contributions for the year ended June 30, 2014 and 2013 were \$2,639,455 and \$2,907,727, respectively. The contributions have been contributed in full for fiscal years 2015, 2014 and 2013.

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

Medical Insurance Plan

Plan description

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

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

Funding policy

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

CAMPBELL COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 16 RETIREMENT 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 the net pension liability for KTRS because the Commonwealth of Kentucky provides the pension support directly to KTRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the CERS net pension liability	\$ 9,630,000
Commonwealth's proportionate share of the KTRS net pension liability associated with the District	<u>128,787,900</u>
	<u>\$ 138,417,900</u>

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

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2014, the District's proportion was 0.296832% percent.

For the year ended June 30, 2015, the District recognized pension expense of \$1,286,371 related to CERS and \$3,034,926 related to KTRS. The District also recognized revenue of \$3,034,926 for KTRS support provided by the Commonwealth. At June 30, 2014, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 1,075,000
District contributions subsequent to the measurement date	<u>1,191,146</u>	<u>-</u>
Total	<u>\$ 1,191,146</u>	<u>\$ 1,075,000</u>

CAMPBELL COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 16 RETIREMENT PLANS (CONTINUED)

\$1,191,146 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	\$ 215,000
2017	215,000
2018	215,000
2019	215,000
2020	215,000

Actuarial assumptions

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

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

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

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

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

CAMPBELL COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 16 RETIREMENT PLANS (CONTINUED)

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:

<u>Asset Class</u>	<u>KTRS Target Allocation</u>	<u>KTRS Long-Term Expected Real Rate of Return</u>	<u>CERS Target Allocation</u>	<u>CERS Long-Term Expected Real Rate of Return</u>
US equity	45%	6.40%	30%	8.45%
Non-US equity	17%	6.50%	22%	8.85%
Emerging market equity	-	-	5%	10.50%
Private equity	-	-	7%	1.25%
Core US fixed income	-	-	10%	5.25%
High yield US fixed income	-	-	5%	7.25%
Non-US fixed incomes	-	-	5%	5.50%
Commodities	-	-	5%	7.75%
TIPS	-	-	5%	5.00%
Fixed income	24%	1.60%	-	-
High yield bonds	4%	3.10%	-	-
Real estate	4%	5.80%	5%	7.00%
Alternatives	4%	6.80%	-	-
Cash	2%	1.50%	1%	3.25%
Total	<u>100%</u>		<u>100%</u>	

Discount rate

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

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

CAMPBELL COUNTY SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 16 RETIREMENT PLANS (CONTINUED)

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:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
CERS	6.75%	7.75%	8.75%
District's proportionate share of net pension liability	1,414,628	1,075,000	774,931
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 both CERS and KTRS.

NOTE 17 CHANGE IN ACCOUNTING PRINCIPLE

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.

GASB 68 required retrospective application. Since the District only presents one year of financial information, the beginning net pension was adjusted to reflect the retrospective application. The adjustment resulted in a \$9,630,000 reduction in beginning net position on the Statement of Activities and an increase of \$1,191,146 of deferred outflows of resources – District contributions subsequent to the measurement date.

NOTE 18 SUBSEQUENT EVENTS

Subsequent events were considered through November 12, 2015, which represents the release date of our report.

SUPPLEMENTARY
INFORMATION

CAMPBELL COUNTY SCHOOL DISTRICT

**Combining Balance Sheet – Nonmajor Governmental Funds
As of June 30, 2015**

	<u>Capital Outlay Fund</u>	<u>Building Fund</u>	<u>Construction Fund</u>	<u>Debt Service Fund</u>	<u>District Activity Fund</u>	<u>Total Non-major Government Funds</u>
Assets						
Current:						
Cash and cash equivalents	\$ -	\$ 741,012	\$ -	\$ -	\$ 287,298	\$ 1,028,310
Accounts receivable	-	-	-	-	-	-
Total current	<u>\$ -</u>	<u>\$ 741,012</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 287,298</u>	<u>\$ 1,028,310</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	36,127	\$ 36,127
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,127</u>	<u>36,127</u>
Fund Balances:						
Restricted:						
Capital projects fund	-	741,012	-	-	-	741,012
Committed	-	-	-	-	251,171	251,171
Unrestricted	-	-	-	-	-	-
Total fund balances	<u>-</u>	<u>741,012</u>	<u>-</u>	<u>-</u>	<u>251,171</u>	<u>992,183</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 741,012</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 287,298</u>	<u>\$ 1,028,310</u>

CAMPBELL COUNTY SCHOOL DISTRICT

**Combining Statement of Revenues, Expenditures and Changes
In Fund Balances – Nonmajor Governmental Funds
As of June 30, 2015**

	<u>Capital Outlay Fund</u>	<u>Building Fund</u>	<u>Construction Fund</u>	<u>Debt Service Fund</u>	<u>District Activity Fund</u>	<u>Total Nonmajor Government Funds</u>
Revenues:						
Taxes	\$ -	\$ 3,662,068	\$ -	\$ -	\$ -	\$ 3,662,068
State sources	450,241	-	-	1,007,235	-	1,457,476
Other sources	-	-	-	-	375,919	375,919
Total revenues	<u>450,241</u>	<u>3,662,068</u>	<u>-</u>	<u>1,007,235</u>	<u>375,919</u>	<u>5,495,463</u>
Expenditures:						
Instructional	-	-	-	-	114,716	114,716
Student support services	-	-	-	-	-	-
Staff support services	-	-	-	-	4,919	4,919
Plant operation and maintenance	-	-	-	-	5,113	5,113
Facility acquisition and construction	-	-	18,075	-	-	18,075
Debt service:						
Principal	-	-	-	3,138,866	-	3,138,866
Interest	-	-	-	1,553,185	-	1,553,185
Total expenditures	<u>-</u>	<u>-</u>	<u>18,075</u>	<u>4,692,051</u>	<u>124,748</u>	<u>4,834,874</u>
Excess (deficit) of revenues over expenditures	<u>450,241</u>	<u>3,662,068</u>	<u>(18,075)</u>	<u>(3,684,816)</u>	<u>251,171</u>	<u>660,589</u>
Other Financing Sources (Uses)						
Operating transfers in	-	741,012	18,075	4,178,334	-	4,937,421
Operating transfers out	(450,241)	(3,662,068)	-	(741,012)	-	(4,853,321)
Total other financing sources(uses)	<u>(450,241)</u>	<u>(2,921,056)</u>	<u>18,075</u>	<u>3,437,322</u>	<u>-</u>	<u>84,100</u>
Net change in fund balance	-	741,012	-	(247,494)	251,171	744,689
Fund balance, July 1, 2014	-	-	-	247,494	-	247,494
Fund balance, June 30, 2015	<u>\$ -</u>	<u>\$ 741,012</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 251,171</u>	<u>\$ 992,183</u>

CAMPBELL COUNTY SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – General Fund
Year Ended June 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 19,869,374	\$ 20,079,374	\$ 20,417,357	\$ 337,983
State sources	13,121,534	12,998,978	20,875,988	7,877,010
Federal sources	130,000	130,000	191,297	61,297
Other sources	1,062,932	1,012,932	1,082,365	69,433
Total revenues	<u>34,183,840</u>	<u>34,221,284</u>	<u>42,567,007</u>	<u>8,345,723</u>
Expenditures				
Instructional	19,326,790	19,520,009	22,533,314	(3,013,305)
Student support services	1,713,095	1,733,095	2,551,302	(818,207)
Staff support services	1,288,110	1,282,710	1,237,092	45,618
District administration	1,722,942	1,722,942	1,260,499	462,443
School administration	2,101,401	2,101,401	2,591,927	(490,526)
Business support services	1,342,473	1,337,673	1,323,492	14,181
Plant operation and maintenance	5,988,788	6,277,497	4,676,462	1,601,035
Student transportation	5,103,319	5,103,319	4,393,917	709,402
Food service operation	2,955	2,955	-	2,955
Community service operations	97,840	88,040	101,962	(13,922)
Debt service	440,276	440,276	232,510	207,766
Other	1,472,758	1,429,539	125,536	1,304,003
Total expenditures	<u>40,600,747</u>	<u>41,039,456</u>	<u>41,028,013</u>	<u>11,443</u>
Net change in fund balance	(6,416,907)	(6,818,172)	1,538,994	8,357,166
Fund balance, July 1, 2014	<u>6,416,907</u>	<u>6,818,172</u>	<u>7,080,319</u>	<u>262,147</u>
Fund balance, June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,619,313</u>	<u>\$ 8,619,313</u>

CAMPBELL COUNTY SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – Special Revenue Fund
Year Ended June 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Other local sources	\$ 3,125	\$ 20,907	\$ 55,803	\$ 34,896
State sources	1,836,597	1,741,972	1,505,319	(236,653)
Federal sources	2,517,084	3,260,427	2,761,332	(499,095)
Other sources	75,000	107,461	107,461	-
Total revenues	<u>4,431,806</u>	<u>5,130,767</u>	<u>4,429,915</u>	<u>(700,852)</u>
Expenditures				
Instructional	2,631,707	2,570,031	2,307,778	262,253
Student support services	742,048	1,390,341	1,025,209	365,132
Staff support services	522,425	575,212	557,622	17,590
School administration	81,824	8,886	14,102	(5,216)
Business support services	-	6,562	8,390	(1,828)
Plant operation and maintenance	18,655	71,470	79,123	(7,653)
Student transportation	171,717	161,717	101,151	60,566
Community service operations	263,430	275,042	270,515	4,527
Other	-	71,506	66,025	5,481
Total expenditures	<u>4,431,806</u>	<u>5,130,767</u>	<u>4,429,915</u>	<u>700,852</u>
Net change in fund balance	-	-	-	-
Fund balance, July 1, 2014	-	-	-	-
Fund balance, June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CAMPBELL COUNTY SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
Bond and Interest Redemption Funds
For the Year Ended June 30, 2015**

	<u>Issue of 2004B</u>	<u>Issue of 2005 KISTA</u>	<u>Issue of 2006</u>	<u>Issue of 2006 KISTA</u>	<u>Issue of 2007 KISTA</u>	<u>Issue of 2008 KISTA</u>	<u>Issue of 2009 KISTA</u>	<u>Issue of 2009 REF - KISTA</u>
Cash at July 1, 2014	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:								
Transfers and miscellaneous deposits	808,625	39,051	565,846	42,126	52,454	56,806	42,071	27,217
Disbursements:								
Bonds paid	745,000	37,686	160,000	39,020	47,475	49,816	35,882	23,868
Interest coupons	63,625	1,365	405,846	3,106	4,979	6,990	6,189	3,349
Transfers and miscellaneous	-	-	-	-	-	-	-	-
Call fee	-	-	-	-	-	-	-	-
Total disbursements	808,625	39,051	565,846	42,126	52,454	56,806	42,071	27,217
Excess of receipts over disbursements	-	-	-	-	-	-	-	-
Cash at June 30, 2015	-	-	-	-	-	-	-	-
Accounts Receivable and Payable								
Matured interest and bonds outstanding	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-
Total accounts receivable and payable	-	-	-	-	-	-	-	-
Fund Balance at June 30, 2015	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

	<u>Issue of 2010 - REF</u>	<u>Issue of 2011</u>	<u>Issue of 2012</u>	<u>Issue of 2012 - REF</u>	<u>Issue of 2013 - REF</u>	<u>Issue of 2014</u>	<u>Issue of 2014B</u>	<u>Total</u>
Cash at July 1, 2014	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:								
Transfers and miscellaneous deposits	83,325	943,231	83,912	998,534	868,070	43,800	269,493	4,924,561
Disbursements:								
Bonds paid	75,000	290,000	50,000	735,000	830,000	35,000	195,000	3,348,747
Interest coupons	8,325	653,231	33,912	263,534	38,070	8,800	74,493	1,575,814
Transfers and miscellaneous	-	-	-	-	-	-	-	-
Call fee	-	-	-	-	-	-	-	-
Total disbursements	83,325	943,231	83,912	998,534	868,070	43,800	269,493	4,924,561
Excess of receipts over disbursements	-	-	-	-	-	-	-	-
Cash at June 30, 2015	-	-	-	-	-	-	-	-
Accounts Receivable and Payable								
Matured interest and bonds outstanding	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-
Total accounts receivable and payable	-	-	-	-	-	-	-	-
Fund Balance at June 30, 2015	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

CAMPBELL COUNTY SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
Campbell County High School Activity Fund
For the Year Ended June 30, 2015**

	Fund Balance July 1, 2014	Receipts	Disbursements	Fund Balance June 30, 2015
Academic Team/Expenses	\$ 34	\$ 8,326	\$ 4,272	\$ 4,088
ACT Prep	148	-	-	148
Advanced Placement	11,729	74,664	7,188	79,205
Agriculture	4,695	-	4,695	-
Animal Rights Club	32	-	32	-
Art	1,061	30	1,091	-
Art Club	776	425	270	931
Astronomy	289	28	100	217
Athletic Advertising	675	1,000	1,600	75
Athletic Concessions	795	7,322	7,868	249
Athletic Hall of Fame	8,588	4,725	6,081	7,232
Athletic Project Fund	3,697	-	1,400	2,297
Athletics District Total	1,256	14,473	15,341	388
Athletics Merchandise	789	15,248	16,010	27
Athletics Regional Total	245	47,547	46,621	1,171
Band	209	-	209	-
Bank	22	165	165	22
Bank Equipment Fund	750	-	-	750
Baseball	6,367	34,678	31,926	9,119
Becky Griffith Memorial	2,984	-	-	2,984
Beta Club	1,026	1,628	1,954	700
BoardGame club	1	212	213	-
Book and Media Club	567	339	512	394
Book Fund	461	-	461	-
Bowling	886	3,224	2,907	1,203
Boys Basketball	4,756	31,541	33,243	3,054
Boys Golf	1,309	210	1,298	221
Boys Soccer	5,496	8,620	9,297	4,819
Business	2,436	1,183	3,601	18
Camel Café	50	3,617	500	3,167
Camel spirit scholarship	320	83	100	303
Camel Store	693	1,535	2,085	143
Campbell School	3,175	1,500	3,500	1,175
Carnes Memorial	20,413	-	1,500	18,913
CBI/Autism	64	-	64	-
CCHS Athletics	17,882	132,870	147,181	3,571
CCHS band of pride	28,095	154,804	137,728	45,171
CCHS Employees Sch	465	-	-	465
Charitable Gaming	-	6,180	6,179	1
Cheerleader	18,305	32,229	41,584	8,950
Chemistry Club	27	8	21	14
Chess Club	55	30	25	60
Choir Travel Account	70	3,168	3,062	176
Chorus	3,471	14,898	18,369	-
Close-up	1,717	-	-	1,717
Creative Writing Club	157	65	-	222
College Readiness	-	3,111	186	2,925
Credit Recovery	6,014	-	6,014	-

CAMPBELL COUNTY SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
Campbell County High School Activity Fund (Continued)
For the Year Ended June 30, 2015**

	Fund Balance July 1, 2014	Receipts	Disbursements	Fund Balance June 30, 2015
Cross Country	\$ 388	\$ 100	\$ 478	\$ 10
Dance team	153	2,600	1,662	1,091
Dance/Homecoming	32	7,206	7,238	-
Dave Hollan scholarship	1,000	-	1,000	-
DECA	562	2,663	2,789	436
Donna Manker CD 5/3	5,503	39	5,542	-
Drama Club	10,723	25,242	28,341	7,624
Drama Fees	649	15	664	-
Drama Pontiac Winner	2,317	2,400	72	4,645
Drug-Free Club	2,974	-	482	2,492
FACS	462	-	462	-
FBLA	2,740	14,678	15,547	1,871
FCCLA	50	2,485	2,475	60
FFA	2,988	18,113	19,113	1,988
Film Club	89	-	-	89
Football	9,734	36,632	34,455	11,911
Ford Reward	-	-	-	-
French	317	438	443	312
Freshman Academy	373	1,592	1,965	-
Fun Bunch	245	750	895	100
Future Ed Association	25	15	-	40
General	-	470	40	430
Generation Believe	71	527	596	2
Girls Basketball	1,971	21,105	17,029	6,047
Girls Golf	132	-	-	132
Girls Soccer	2,303	4,439	6,630	112
Greenhouse	4,204	5,025	3,527	5,702
Greg rose memorial	3,038	6,268	1,470	7,836
Griffith Memorial	-	500	500	-
Guidance Dept	449	5,083	4,445	1,087
Guitar Club	147	-	-	147
Health and PE	412	1,867	2,189	90
Homecoming	1,901	-	430	1,471
Human Rights Club	48	198	245	1
Iles Memorial	38	-	38	-
Industrial Tech Fees	1,054	500	1,554	-
Jeff Harris Memorial	1,592	38	-	1,630
Kirchoff Memorial	2,205	-	-	2,205
Language Arts	2,006	33	2,028	11
Lee Lamb Scholarship	19	-	19	-
Library	323	1,948	1,336	935
Licking Valley Antique	1,000	500	500	1,000
Math	6,279	102	6,329	52
Math calculator	-	4,070	3,835	235
Math Club	52	464	450	66
Math Summer School	4,500	-	200	4,300
Math Textbook Sale	-	3,750	-	3,750

CAMPBELL COUNTY SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
Campbell County High School Activity Fund
For the Year Ended June 30, 2015**

	Fund Balance July 1, 2014	Receipts	Disbursements	Fund Balance June 30, 2015
Media	\$ 538	\$ 421	\$ 959	\$ -
Meritro scholarship	-	2,000	2,000	-
Missy White CD 5	1,629	-	-	1,629
Missy White CD B	8,892	-	-	8,892
NFHS	162	200	205	157
NHS	2,769	1,080	1,804	2,045
Office	14,110	976	15,086	-
Pep Club	447	551	385	613
Photo Club	948	1,200	636	1,512
Principals Account	793	8,678	7,316	2,155
Profit/Water Machine	-	2,131	2,131	-
Project Graduation	1,442	13,164	13,523	1,083
Prom	1,430	23,570	23,627	1,373
Renaissance Student	1,157	-	1,157	-
Response to Intervene	317	35	351	1
Robert Ward CD	1,318	-	-	1,318
Ruby Gay Campbell	20,114	-	-	20,114
Sara Lee Academic	1,000	-	-	1,000
School Fees etc.	-	163,604	159,953	3,651
Science	7,022	211	7,041	192
Service Learning	500	-	20	480
Ski Club	-	7,712	7,279	433
Snowball Dance	-	17,400	15,749	1,651
Social Studies	4,977	48	5,025	-
Softball	10,112	10,012	11,786	8,338
Spanish Dance Club	245	-	244	1
Spanish Honor Society	1,282	5,243	5,102	1,423
Special Education	2,037	-	2,037	-
Staff Community	58	-	-	58
STLP	1	-	1	-
Student Council	8,469	-	4,345	4,124
Student Incentives	46,979	3,959	50,081	857
Swim	1,586	661	1,100	1,147
Tennis	1,576	5,307	6,129	754
Textbooks	95,617	1,213	96,830	-
Track	4,009	12,523	10,219	6,313
TSA/Robotics	548	7,782	8,083	247
Vocational Facs	2,144	7,783	7,509	2,418
Volleyball	3,374	13,122	11,281	5,215
VPA Vis & Perf Arts	178	445	623	-
White Memorial	-	1,000	1,000	-
World Language	1,186	1,426	2,612	-
Wrestling	7,393	9,486	12,685	4,194
Yearbook	11,319	5,469	5,603	11,185
Youth Alive	563	135	-	698
Youth Service Center	32	264	284	12
Total	\$ 506,393	\$ 1,110,352	\$ 1,245,267	\$ 371,478

CAMPBELL COUNTY SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
School Activity Funds
For the Year Ended June 30, 2015**

	<u>John W. Reily Elementary</u>	<u>Grant Lick Elementary</u>	<u>Donald E. Cline Elementary</u>	<u>Crossroads Elementary</u>
Fund balances at July 1, 2014	\$ 12,231	\$ 33,618	\$ 4,664	\$ 13,999
Add: receipts	81,701	72,403	75,187	87,829
Less: disbursements	<u>(87,113)</u>	<u>(79,928)</u>	<u>(75,309)</u>	<u>(99,365)</u>
Fund balance at June 30, 2015	<u>\$ 6,819</u>	<u>\$ 26,093</u>	<u>\$ 4,542</u>	<u>\$ 2,463</u>
	<u>Campbell Ridge Elementary</u>	<u>Campbell County Middle</u>	<u>Total</u>	
Fund balances at July 1, 2014	\$ 38,129	\$ 61,542	\$ 164,183	
Add: receipts	140,850	291,369	749,339	
Less: disbursements	<u>(157,419)</u>	<u>(322,755)</u>	<u>(821,889)</u>	
Fund balance at June 30, 2015	<u>\$ 21,560</u>	<u>\$ 30,156</u>	<u>\$ 91,633</u>	

CAMPBELL COUNTY SCHOOL DISTRICT

Schedule of District's Proportionate Share of Net Pension Liability – KTRS

	Last 10 Fiscal Years*									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
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>128,787,900</u>	*	*	*	*	*	*	*	*	*
Total	<u>\$ 128,787,900</u>	*	*	*	*	*	*	*	*	*
District's covered-employee payroll	\$ 19,655,855	\$ 20,285,737	\$ 20,158,429	*	*	*	*	*	*	*
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0%	*	*	*	*	*	*	*	*	*
Plan fiduciary net position as a percentage of the total pension liability	45.59%	*	*	*	*	*	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes of benefit terms: None

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

CAMPBELL COUNTY SCHOOL DISTRICT

Schedule of District Contributions - KTRS

Last 10 Fiscal Years*

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Contractually required contribution	\$ 610,854	\$ 407,614	\$ 322,019	\$ 287,218	*	*	*	*	*	*
Contributions in relation to the contractually required contribution					*	*	*	*	*	*
Contributions in relation to the contractually required contribution	<u>(610,854)</u>	<u>(407,614)</u>	<u>(322,019)</u>	<u>(287,218)</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
Contribution deficiency	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
District's covered-employee payroll	\$ 19,175,574	\$ 19,655,855	\$ 20,285,737	\$ 20,158,429	*	*	*	*	*	*
Contributions as a percentage of covered-employee payroll	3.19%	2.07%	1.59%	1.42%	*	*	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CAMPBELL COUNTY SCHOOL DISTRICT

Schedule of District's Proportionate Share of Net Pension Liability - CERS

	Last 10 Fiscal Years*									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
District's proportion of net pension liability	0.296832%	*	*	*	*	*	*	*	*	*
District's proportionate share of the net pension liability	\$ 9,630,000	*	*	*	*	*	*	*	*	*
Total net pension liability	\$ 3,244,377,000	*	*	*	*	*	*	*	*	*
District's covered-employee payroll	\$ 6,845,079	\$ 7,008,675	\$ 7,146,021	*	*	*	*	*	*	*
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	140.7%	*	*	*	*	*	*	*	*	*
Plan fiduciary net position as a percentage of the total pension liability	66.80%	*	*	*	*	*	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes of benefit terms: The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2009: A new benefit tier for members who first participate on or after September 1, 2008 was introduced which included the following changes:

1. Tiered structure for benefit accrual rates
2. New retirement eligibility requirements
3. Different rules for the computation of final average compensation

2014: As cash balance plan was introduced for member whose participation date is on or after January 1, 2014.

Changes of assumption: The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2006: The assumptions were updated as the result of an experience study for the five year period ending June 30, 2005.

2007: Amortization bases have been combined and will be amortized over a single 30 year closed period beginning June 30, 2007.

2009: The assumptions were updated as the result of an experience study for the three year period ending June 30, 2008.

2013: The amortization period of the unfunded accrued liability was reset to a closed 30 years period.

CAMPBELL COUNTY SCHOOL DISTRICT

Schedule of District Contributions – CERS

	Last 10 Fiscal Years*									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 1,191,146	\$1,305,034	\$1,384,992	\$1,354,171	*	*	*	*	*	*
Contributions in relation to the contractually required contribution	(1,191,146)	(1,305,034)	(1,384,992)	(1,354,171)	*	*	*	*	*	*
Contribution deficiency	<u>CERS</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
District's covered-employee payroll	\$ 6,634,972	\$ 6,845,079	\$ 7,008,675	\$ 7,146,021	*	*	*	*	*	*
Contributions as a percentage of covered-employee payroll	17.95%	19.07%	19.76%	18.95%	*	*	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available. No changes were made to the assumptions or benefit terms.

CAMPBELL COUNTY SCHOOL DISTRICT

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Agreement Number	Federal Expenditures for FYE June 30, 2015
U.S. Department of Education			
<i>Passed through Kentucky Department of Education</i>			
Special Education Cluster			
Special Education_Grants to States	84.027	3810002 13	\$ 249
Special Education_Grants to States	84.027	3810002 14	672,321
Special Education_Grants to States	84.027	3810002 15	237,844
Special Education_Preschool Grants	84.173	3800002 13	2,710
Special Education_Preschool Grants	84.173	3800002 14	25,846
Special Education_Preschool Grants	84.173	3800002 15	1,630
Total Special Education Cluster			<u>940,600</u>
Title I Grants to Local Educational Agencies	84.010A	3100002 13	9,062
Title I Grants to Local Educational Agencies	84.010A	3100002 14	105,651
Title I Grants to Local Educational Agencies	84.010A	3100002 15	297,141
Title I Grants to Local Educational Agencies	84.010A	3100102 13	11,722
Title I Grants to Local Educational Agencies	84.010A	3100102 14	2,772
Total CFDA # 84.010A			<u>426,348</u>
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	3134	3,779
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	313A	16,599
Total CFDA # 84.013			<u>20,378</u>
Career and technical Education -Basic Grants to States	84.048	3710002 14	1,639
Career and technical Education -Basic Grants to States	84.048	3710002 15	35,925
Total CFDA # 84.048			<u>37,564</u>
Fund for the Improvement of Education	84.215E	S215E130420	733
Fund for the Improvement of Education	84.215E	N/A	52,725
Fund for the Improvement of Education	84.215E	N/A	49,777
Elementary & Secondary School Counseling Program Grant (ESSCP)	84.215E	S215E140147	317,660
Elementary & Secondary School Counseling Program Grant (ESSCP)	84.215E	S215E140149	273,109
Total CFDA # 84.215E			<u>694,004</u>
Title II Improving Teacher Quality State Grants	84.367	3230002 13	20,050
Title II Improving Teacher Quality State Grants	84.367	3230002 14	12,017
Title II Improving Teacher Quality State Grants	84.367	3230002 15	91,341
Total CFDA # 84.367			<u>123,408</u>
Twenty-First Century Community Learning Centers	84.287C	3400002 12	125,308
Twenty-First Century Community Learning Centers	84.287C	3400002 13	393,724
Total CFDA # 84.287C			<u>519,032</u>
Total U.S. Department of Education			<u>2,761,334</u>
U.S. Department of Agriculture			
Child Nutrition Cluster			
<i>Passed through Kentucky Department of Education</i>			
National School Lunch Program	10.555	7750002 14	167,184
National School Lunch Program	10.555	7750002 15	721,321
School Breakfast Program	10.553	7760005 14	43,015
School Breakfast Program	10.553	7760005 15	182,111
Summer Food Service Program for Children	10.559	7690024 14	1,271
Summer Food Service Program for Children	10.559	7740023 14	12,396
<i>Passed through Kentucky Department of Agriculture</i>			
National School Lunch Program - Food Donation	10.555	4001075	147,199
Total Child Nutrition Cluster			<u>1,274,497</u>
<i>Passed through Kentucky Department of Education</i>			
Child and Adult Care Food Program	10.558	7790021 14	9,063
Child and Adult Care Food Program	10.558	7790021 15	62,981
Child and Adult Care Food Program	10.558	7800016 14	621
Child and Adult Care Food Program	10.558	7800016 15	4,362
Total CFDA # 10.558			<u>77,027</u>
Total U.S. Department of Agriculture			<u>1,351,524</u>
Total Expenditures of Federal Awards			<u>\$ 4,112,858</u>

CAMPBELL 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 includes the federal grant activity of the Campbell County School District under programs of the federal government for the year ended June 30, 2015, and is reported on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Campbell County School 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 - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. For the year ended June 30, 2015, the District reported food commodities expended in the amount of \$147,199.



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 *GOVERNMENT AUDITING STANDARDS*

To the Members of the Board of Education
Campbell County School District
Alexandria, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type, each major fund, and the aggregate remaining fund information of Campbell County School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Campbell County School District's basic financial statements, and have issued our report thereon dated November 12, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted other matters that we reported to management of the District in a separate letter dated November 12, 2015.

BARNES DENNIG

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 GOVERNMENT AUDITING STANDARDS

(Continued)

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.

Barnes, Dennig & Co., Ltd.

Crestview Hills, Kentucky
November 12, 2015



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

Members of the Board of Education
Campbell County School District
Alexandria, Kentucky

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

BARNES DENNIG

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

(Continued)

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.

Barnes, Dennig & Co., Ltd.

Crestview Hills, Kentucky
November 12, 2015

CAMPBELL COUNTY SCHOOL DISTRICT

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2015**

SECTION I -SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No

- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None noted

- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No

- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None noted

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

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

Identification of major programs

CFDA No.	Name of Federal Program or Cluster
84.010A	Title I Grants to Local Educational Agencies
84.215E	Fund for the Improvement of Education/ Elementary & Secondary School Counseling Program Grant (ESSCP)

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

Auditee qualified as low-risk auditee? X Yes _____ No

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters are reportable

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COST

No matters are reportable

CAMPBELL COUNTY SCHOOL DISTRICT

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2015**

SECTION I -SUMMARY OF PRIOR YEAR AUDITOR'S RESULTS

No matters are reportable

SECTION II – PRIOR YEAR FINANCIAL STATEMENT FINDINGS

No matters are reportable

SECTION III – PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COST

No matters are reportable

CAMPBELL COUNTY SCHOOL DISTRICT

**Management Letter Comments
For the Year Ended June 30, 2015**

In planning and performing our audit of the financial statements of Campbell County School 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 financial statements and not to provide assurance on the internal control structure.

This letter summarizes our comments and suggestions regarding those matters. A separate report dated November 12, 2015 contains our report on significant deficiencies and material weaknesses in the District's internal control structure. This letter does not affect our report dated November 12, 2015, on the financial statements of the Campbell County School District.

CURRENT YEAR RECOMMENDATIONS

CENTRAL OFFICE

No matters are reportable.

ACTIVITY FUNDS

Campbell County High School

2015-01: Purchase orders are being completed after the purchase was made.

Criteria – Per best practices recommended by the Kentucky Department of Education, a purchase order must be used to initiate a purchase, including reimbursements to district employees

Condition – During the testing of the Activity Funds, it was noted that several expenses were made prior to getting a proper purchase order approved for the spending of funds.

Effect – Proper authorization for the use of school activity funds were not properly followed.

Cause – Internal controls were not properly followed as designed by the District.

Recommendation – We recommend that the standard procedure set in place by the District is properly followed. Each expense should have an approved purchase prior to the use of fund.

Board Response – The school will ensure that the proper procedures are followed for the proper documentation and approval of purchase orders.

2015-02: Invoices not properly defaced

Criteria – Per best practices recommended by the Kentucky Department of Education, schools should have a process in place to properly deface purchase orders so that duplicate checks are not written for the same purchase order.

Condition – During the testing of the Activity Funds, it was noted that a majority of invoices tested were not sufficiently marked as paid or properly defaced.

Effect – Proper documentation of the approval process was not properly followed

Recommendation – We recommend that all pages of the purchase order be marked paid or defaced in an additional manner.

Board Response – The School will develop a proper procedure for the proper staff to follow in order to insure invoices are marked paid for defaced in a proper manner.

CAMPBELL COUNTY SCHOOL DISTRICT

**Management Letter Comments
(Continued)
For the Year Ended June 30, 2015**

CURRENT YEAR RECOMMENDATIONS (CONTINUED)

Campbell County Middle School

No matters are reportable

Campbell Ridge Elementary

No matters are reportable

Cline Elementary

No matters are reportable

Crossroads Elementary

No matters are reportable

Grant's Lick Elementary

No matters are reportable

Reily Elementary

No matters are reportable

CAMPBELL COUNTY SCHOOL DISTRICT

**Management Letter Comments
(Continued)
For the Year Ended June 30, 2015**

STATUS OF PRIOR YEAR RECOMMENDATIONS

CENTRAL OFFICE

Statement of prior year deficiency:

- It was noted that the District failed the required paid lunch equity requirement for the the Child Nutrition Cluster compliance requirements

Current year follow-up: There were no such instances noted in the current year.

ACTIVITY FUNDS

Campbell County High School

No matters are reportable

Campbell County Middle School

No matters are reportable

Campbell Ridge Elementary

Statement of prior year deficiency:

- It was noted that all the invoices tested were not sufficiently marked as paid or properly defaced

Current year follow-up: There were no such instances noted in the current year.

Cline Elementary

No matters are reportable

Crossroads Elementary

No matters are reportable

Grant's Lick Elementary

No matters are reportable

John Reiley Elementary

Statement of prior year deficiency:

- It was noted that all the invoices tested were not sufficiently marked as paid or properly defaced

Current year follow-up: There were no such instances noted in the current year.