

CARLISLE COUNTY BOARD OF EDUCATION



FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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Independent Auditor's Report

Kentucky State Committee for
School District Audits
Members of the Board
Carlisle County School District
Bardwell, 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 Carlisle 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 District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits including *Appendix I to the Independent Auditor's Contract – Audit Extension Request and Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Report, Audit Acceptance Statement and Statement of Certification*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Carlisle 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 conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 16 to the financial statements, in fiscal year 2015, the Carlisle County School District adopted new accounting guidance, GASB Statement No. 68, *Accounting & Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension schedules on pages 4 through 8 and 40 and 45 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 Carlisle County School District's basic financial statements. The additional information shown on pages 46 through 56 is presented for purposes of additional analysis and is 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 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 October 28, 2015, on our consideration of Carlisle 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 Carlisle County School District's internal control over financial reporting and compliance.

Williams, Williams + Luty, LLP

Paducah, Kentucky
October 28, 2015

REQUIRED SUPPLEMENTARY INFORMATION

CARLISLE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015

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

FINANCIAL HIGHLIGHTS

- On July 1, 2014, the beginning cash balance, including investments for all District funds, was \$1,971,217. This total does not include agency or activity funds held at the school level.
- On June 30, 2015, the ending cash balance, including investments for all District funds, was \$2,032,903, an increase of \$61,686. This increase is due to cost-savings measures implemented in 2014-2015.
- Total revenues for the District General Fund were \$6,402,270. The primary source of these revenues was the state SEEK program, local taxes, and state on-behalf payments.
- Total expenditures for the District General Fund were \$6,467,152. Of these expenses, 36.27% were instructional salary costs.
- The ending balance for the District General Fund was \$912,616, a decrease from the prior year of \$64,882. This decrease is largely due to insurance proceeds being received in 2013-2014 and not expended until 2014-2015.
- Ending carryover balance for the District General Fund was \$891,281. This includes contingency in the amount of \$455,030 and Unassigned Funds of \$436,251.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of a series of financial statements and notes to those statements. The District's basic financial statements are comprised of three components:

1) Government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary information.

Government-wide financial statements: The government-wide financial statements are intended to provide the reader with a broad overview of the District's finances. They are organized much like those of a private-sector business.

The *statement of net position* provides information concerning the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with net position being the remaining balance. A long-term trend of increasing or decreasing net position may be an indicator of District financial stability. However, one must take into consideration that the primary purpose of a school district is to provide quality educational services to all students, not to generate profits. Many factors over which the District has no control have a significant influence on the financial position of the District. Some of these include: property tax wealth, state and federal tax laws, restricted educational program funding, and others.

The *statement of activities* provides a more detailed explanation of the change in net position over the fiscal year. Revenues and Expenses are recorded when incurred, not when received or paid. Governmental activities are those supported by property taxes and intergovernmental revenues. These activities include: instruction, support services, plant operations and maintenance, transportation, community services, facility acquisition and construction, and interest on long-term debt.

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

Fund financial statements: A fund is a grouping of related accounts used to maintain control over resources set aside for specific activities or objectives. This is a state-mandated uniform system and establishes a chart of accounts for all Kentucky public school districts utilizing the MUNIS accounting software. All of the District's funds can be divided into 3 types: governmental, proprietary, and fiduciary. Food Service is our only proprietary fund. Fiduciary funds are held as trust funds established by benefactors to aide in student education. All other activities and resources are included in the governmental funds.

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

Notes to the financial statements: The notes provide additional information and are useful in fully understanding the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 19 through 39 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As previously discussed, net position may be a long-term indicator of a District's financial position. For the fiscal year ended June 30, 2015, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1.31 million. The largest portion (\$1.89 million) of these assets are capital assets less related debt, and funds restricted for capital projects, allocations to Site-Based Council funds required by statute, debt service, and sick leave payable. Unrestricted net position as of June 30, 2015 is a deficit balance of \$580 thousand; the deficit is due to the adjustment to net position of \$1.3 million for the net pension liability required by GASB 68.

Net Position for the Years Ended June 30

	<u>2015</u>	<u>2014</u>
Current assets	\$ 2,261,951	\$ 2,193,644
Non-current assets	<u>10,839,734</u>	<u>10,087,409</u>
Total assets	<u>13,101,685</u>	<u>12,281,053</u>
Deferred outflows of resources	<u>245,477</u>	<u>262,146</u>
Current liabilities	735,843	661,006
Non-current liabilities	<u>11,163,440</u>	<u>10,736,698</u>
Total liabilities	<u>11,899,283</u>	<u>11,397,704</u>
Deferred inflows of resources	<u>140,725</u>	<u>-</u>
Net investment in capital assets	820,512	821,386
Restricted	1,067,630	972,912
Unrestricted	<u>(580,988)</u>	<u>(645,803)</u>
TOTAL NET POSITION	<u>\$ 1,307,154</u>	<u>\$ 1,145,495</u>

As a comparison for the year ended June 30, 2015, total net position has increased by \$161,659. Deferred outflows of resources, non-current liabilities, and unrestricted net position as presented above for the year ended June 30, 2014 has been adjusted to reflect a restatement to record the District's proportionate share of the net pension liability and related deferred outflows in accordance with GASB 68. This liability depicts an estimate of District's share of the County Employees Retirement System's net pension liability and will be adjusted annually. The net position at June 30, 2013 and related deferred outflows and inflows could not be determined in a practical manner. Therefore, net position at June 30, 2013 was not restated. See note 16 to the financial statements on page 39 for additional details.

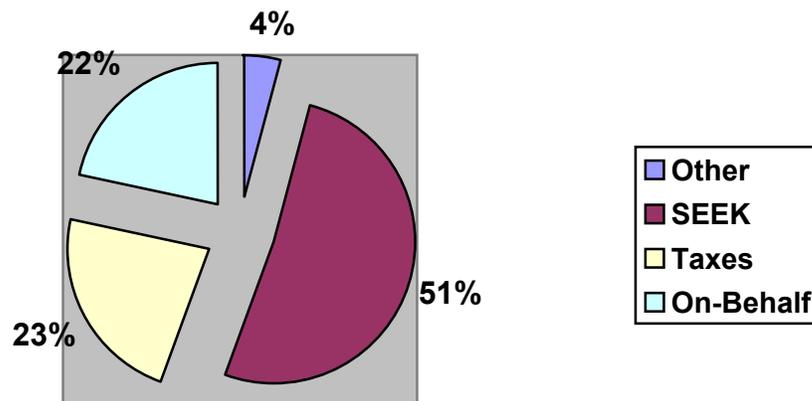
The following is a summary of revenues and expenses for the year ended June 30, 2015 and 2014, for selected funds.

Revenues:	<u>2015</u>	<u>2014</u>
Operating grants and contributions	\$1,231,137	\$1,370,570
Capital grants and contributions	510,281	519,358
Charges for services	128,152	140,362
Taxes	1,712,290	1,515,160
State aid	5,604,447	4,839,061
Investment earnings	36,619	29,951
Other	188,295	178,270
Gain on sale of equipment	<u>686</u>	<u>-</u>
 Total revenues	 <u>\$9,411,907</u>	 <u>\$8,592,732</u>
 Expenses:	 <u>2015</u>	 <u>2014</u>
Instruction	\$5,117,006	\$4,639,474
Student support services	339,447	289,821
Instructional staff support	235,730	168,705
District administration	544,832	472,797
School administration	443,417	378,468
Business	247,580	255,417
Plant operations and maintenance	816,741	721,348
Student transportation	574,604	582,230
Community service	76,287	77,149
Facility acquisition and construction	-	-
Interest on long-term debt	415,858	378,106
Food services	<u>438,746</u>	<u>434,401</u>
 Total expenses	 <u>9,250,248</u>	 <u>8,397,916</u>
 CHANGE IN NET POSITION	 <u>\$ 161,659</u>	 <u>\$ 194,816</u>

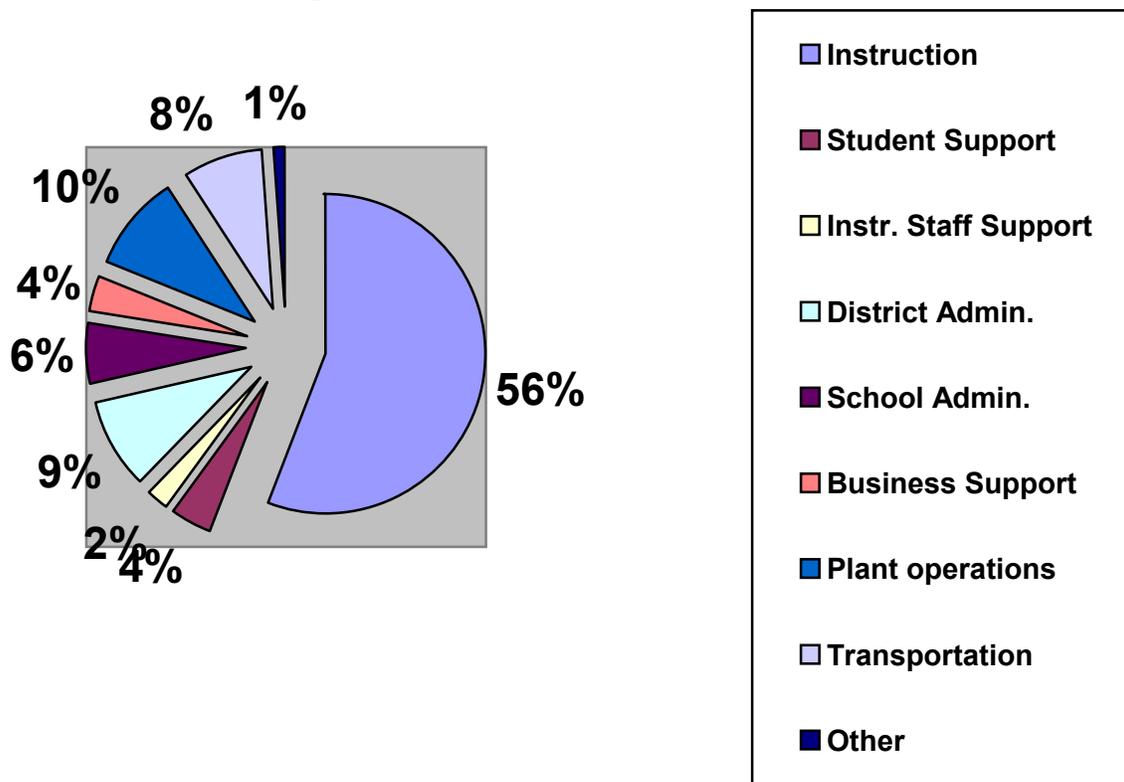
Overview of Fund Activities and Budgets

General Fund

By statute, the District's general fund budget is a three-stage process. The draft budget is prepared in January for the next fiscal year. It is further revised in May as a tentative budget and finalized in September as the working budget. The budget consists of management's best efforts to predict revenues and expenditures for the year. The District's two major sources of revenue come from the state's SEEK program and local tax dollars. The SEEK amounts are set by the Kentucky Legislature based on a per pupil amount. Tax rates are set by the Board of Education in September. Below is an illustration of actual revenues for the period ending June 30, 2015. Total general fund revenues for 2014-2015 are \$6,402,270.



The primary expenditure category for the District is instruction. This is made up of teachers' salaries and benefits, as well as monies allocated to the site-based councils for instructional supplies. All other general fund expenditures fall into the support services category. These include Student support, instructional staff support, District administration, school administration, business support, plant operations and maintenance, and transportation. Total general fund expenditures for 2014-2015 are \$6,467,152. Below is an illustration of the distribution of general fund expenditures.



Comments on Budget Comparison

Excluding on-behalf payments of \$1,378,744, and including beginning balances, the general fund budget compared to actual revenue varied slightly with the ending balance being 2% or \$69,336 more than budgeted. This is largely due to an increase of \$39,290 in revenue in lieu of taxes collected over the budgeted amount. A conservative estimate of all revenues is used to offset any decrease in funding from the state during the school year.

General fund expenditures, net of on-behalf payments of \$1,378,744, compared to budgeted expenditures, net of contingency allotments of \$584,530 were \$253,428 less than budgeted. Salary costs were \$120,000 less than budgeted, due to unpaid medical leaves and re-structuring of positions in the central office.

RESTRICTED FUNDS

The Special Revenue Fund is made up of state and federal grants. These grants are for specific purposes, such as the various Title programs, Extended School Services, Family Resource and Youth Services Center, Safe Schools, Gifted and Talented, and others. The ending balance in this fund will always be zero.

The District Activity Fund accounts for proceeds of specific revenue sources, such as donations, grants, and non-student fundraisers that are restricted by the individual schools.

The Capital Outlay Fund is a state appropriation given for the purpose of new construction and site improvements, as well as debt service payments, and may not be used for the general operating expenses of the District. Due to increased flexibility granted by the General Assembly, districts were given the authorization to use capital outlay funds to offset various General Fund expenditures following approval from the Department of Education, utilizing a capital funds request transfer. During the 2014-2015 year, \$68,410 of capital outlay funds was transferred to the General Fund.

The FSPK, or Building Fund, is funded through a percentage of local property taxes as well as monies appropriated by the state. The primary expense of this fund is to pay bond principal and interest on long-term

debt. FSPK Funds may also be used for new construction and site improvements. During the 2014-2015 school year, \$398,907 was paid out for debt retirement. The remaining \$113,481 in the Building Fund was transferred to the General Fund by means of a capital funds request transfer.

The Fiscal Agent Fund is treated as a “pass-through” account. The Board was designated as fiscal agent for the KY-ASAP grant in the amount of \$275,294 to date, plus reimbursements from another school district for their shared use of the coordinator.

The Food Service fund is a proprietary fund that is self-sufficient. Its revenues consist of state reimbursements and receipts from the sale of breakfast and lunch.

CAPITAL ASSETS AND DEBT ADMINISTRATION

As of June 30, 2015, the District’s net investment in capital assets totaled \$820,512. The decrease of \$874 is largely due to depreciation and the retirement of debt.

Principal and interest debt payments for 2014-2015 totaled \$398,814, excluding payments made by SFCC. There are currently seven outstanding bond issues, one of which is totally funded by SFCC payments and four capital leases as of June 30, 2015. The total principal to be paid by the School District, exclusive of payments made by the SFCC and earnings on prefunded escrows for the Qualified Zone Academy Bonds is as follows:

<u>Project</u>	<u>Amount</u>	<u>Maturity</u>
2008 - Improvements/HVAC High/Middle School	\$1,499,791	2028
2009 - High School Roof/Grinder/Paving	164,387	2029
2009Ref - Refinancing of 1994 and 1996 Issues	14,179	2017
KISTA - Bus Lease	101,829	2019
2010Ref - Refinancing of 2001 Issue	1,000,000	2021
Musco Lighting Lease	95,705	2021
2011 - Qualified Zone Academy Bond	1,585,034	2029
2012 KISTA - Bus Lease	63,260	2022
2014 KISTA - Bus Lease	66,059	2023
2014 – Middle School Gymnasium Renovation	8,425	2035
2014 – Xerox Lease	4,324	2018

See Notes 5 and 6 on pages 28 through 31 for additional detail.

FUTURE BUDGETARY IMPLICATIONS

The fiscal year for all public schools in Kentucky is July 1 - June 30. Many of the grant programs operate on a different calendar, but are reflected in the District’s overall budget.

As state funding to public schools has decreased, the District’s general fund budget, as well as many grant programs, have become much tighter. When coupled with increasing salary costs, as well as the rising costs of utilities and fuel and increased maintenance costs due to the aging of our facilities, the District has been forced to make difficult decisions concerning the most efficient ways of doing business. The District has made HVAC and electrical improvements in two of our schools. Renovations have been made to the interiors of both the middle and high schools. A grinder has been installed in our sewage treatment facility, the high school has received a new roof, and all parking lots have been paved. A new District-wide cafeteria was completed in August 2014. A renovation to the middle school gymnasium and conversion of the old cafeteria to new classroom space was completed in January of 2015. A new elementary school is planned in the near future with the help of additional funding granted by the General Assembly. All of these projects should help to extend the useful life of our current campus.

By law, districts must maintain at least a 2% contingency in the general fund. For fiscal year 2015-2016, the Board has approved a 8.01% contingency in the working budget. A 1% salary increase was given to all employees for the 2015-2016 school year.

We continue to strive to find the most cost-effective ways to spend our resources, while still offering the highest quality of education possible to the students of this District.

Any questions concerning this report can be directed to Superintendent Jay Simmons (270-628-3800) or Finance Officer Rachel Bowles (270-628-3800 ext. 7006).

BASIC FINANCIAL STATEMENTS

CARLISLE COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals (Memorandum Only)</u>
Cash and cash equivalents	\$ 1,030,354	\$ 70,237	\$ 1,100,591
Accounts receivable:			
Taxes	33,623	-	33,623
Accounts	28,570	-	28,570
Intergovernmental - federal	148,490	-	148,490
Investments - prefunded escrow	932,312	-	932,312
Inventories	-	18,365	18,365
Nondepreciated capital assets:			
Land	10,500	-	10,500
Depreciated capital assets:			
Land improvements	177,041	-	177,041
Buildings	14,092,904	-	14,092,904
Furniture and equipment	3,392,598	202,406	3,595,004
Less: accumulated depreciation	<u>(6,885,455)</u>	<u>(150,260)</u>	<u>(7,035,715)</u>
Total assets	<u>12,960,937</u>	<u>140,748</u>	<u>13,101,685</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred bond discounts	87,021	-	87,021
District pension contributions subsequent to measurement date	<u>133,965</u>	<u>24,491</u>	<u>158,456</u>
Total deferred outflows of resources	<u>220,986</u>	<u>24,491</u>	<u>245,477</u>
<u>LIABILITIES</u>			
Accounts payable	22,188	1,294	23,482
Overdraft	133,548	-	133,548
Advanced revenues	42,689	-	42,689
Long-term obligations:			
Due within one year:			
Bond and lease obligations	403,833	-	403,833
Interest payable	86,005	-	86,005
KSBIT assessment	46,286	-	46,286
Due beyond one year:			
Bond and lease obligations	9,727,344	-	9,727,344
Accrued sick leave payable	11,974	-	11,974
Net pension liability	1,072,867	187,833	1,260,700
KSBIT assessment	<u>163,422</u>	<u>-</u>	<u>163,422</u>
Total liabilities	<u>11,710,156</u>	<u>189,127</u>	<u>11,899,283</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Difference between projected and actual pension earnings	<u>119,758</u>	<u>20,967</u>	<u>140,725</u>
<u>NET POSITION</u>			
Net investment in capital assets	768,366	52,146	820,512
Restricted for:			
Sick leave	5,322	-	5,322
Debt service	932,488	-	932,488
Future construction contracts	41,963	-	41,963
School activities	87,857	-	87,857
Unrestricted	<u>(483,987)</u>	<u>(97,001)</u>	<u>(580,988)</u>
TOTAL NET POSITION	<u>\$ 1,352,009</u>	<u>\$ (44,855)</u>	<u>\$ 1,307,154</u>

See notes to financial statements.

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

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
Instruction	\$5,117,006	\$ 29,434	\$ 677,621	\$ -
Support services:				
Student	339,447	-	68,332	-
Instructional staff	235,730	-	98,577	-
District administration	544,832	-	-	-
School administration	443,417	-	-	-
Business	247,580	-	-	-
Plant operations and maintenance	816,741	-	-	-
Student transportation	574,604	-	-	-
Community service	76,287	-	76,138	-
Facility acquisition and construction	-	-	-	339,194
Interest on long-term debt	415,858	-	-	171,087
Total governmental activities	<u>8,811,502</u>	<u>29,434</u>	<u>920,668</u>	<u>510,281</u>
Business-type Activities:				
Food services	<u>438,746</u>	<u>98,718</u>	<u>310,469</u>	<u>-</u>
TOTAL SCHOOL DISTRICT	<u><u>\$9,250,248</u></u>	<u><u>\$128,152</u></u>	<u><u>\$1,231,137</u></u>	<u><u>\$510,281</u></u>

General revenue and receipts:

Taxes:
Property
Motor vehicle
Utility
In lieu
Telecommunication
Other
State aid
State aid - on-behalf
Investment earnings
Other

Special items:

Proceeds from sale of equipment
Transfers

Total general revenue and special items

Change in net position

Net position, July 1, 2014, as previously stated
Adjustments to net position, see note 16

Net position, July 1, 2014, as restated

NET POSITION, JUNE 30, 2015

See notes to financial statements.

**Net (Expense) Revenue and
Changes in Net Position**

Governmental Activities	Business-type Activities	Total
\$(4,409,951)	\$ -	\$ (4,409,951)
(271,115)	-	(271,115)
(137,153)	-	(137,153)
(544,832)	-	(544,832)
(443,417)	-	(443,417)
(247,580)	-	(247,580)
(816,741)	-	(816,741)
(574,604)	-	(574,604)
(149)	-	(149)
339,194	-	339,194
(244,771)	-	(244,771)
<u>(7,351,119)</u>	<u>-</u>	<u>(7,351,119)</u>
-	(29,559)	(29,559)
<u>(7,351,119)</u>	<u>(29,559)</u>	<u>(7,380,678)</u>
1,069,402	-	1,069,402
270,410	-	270,410
275,922	-	275,922
83,290	-	83,290
13,177	-	13,177
89	-	89
3,313,605	-	3,313,605
2,233,235	57,607	2,290,842
36,421	198	36,619
188,295	-	188,295
686	-	686
23,137	(23,137)	-
<u>7,507,669</u>	<u>34,668</u>	<u>7,542,337</u>
156,550	5,109	161,659
2,302,213	143,802	2,446,015
<u>(1,106,754)</u>	<u>(193,766)</u>	<u>(1,300,520)</u>
<u>1,195,459</u>	<u>(49,964)</u>	<u>1,145,495</u>
<u>\$ 1,352,009</u>	<u>\$ (44,855)</u>	<u>\$ 1,307,154</u>

CARLISLE COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

<u>ASSETS</u>	General Fund	Special Revenue (Grant) Fund	Construction Fund	Nonmajor Funds	Total Governmental Funds
Cash and cash equivalents	\$882,440	\$ -	\$54,753	\$93,161	\$1,030,354
Accounts receivable:					
Taxes	33,623	-	-	-	33,623
Accounts	823	27,747	-	-	28,570
Intergovernmental - federal	-	148,490	-	-	148,490
TOTAL ASSETS	\$916,886	\$176,237	\$54,753	\$93,161	\$1,241,037
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts payable	\$ 4,270	\$ -	\$12,790	\$ 5,128	\$ 22,188
Overdraft	-	133,548	-	-	133,548
Advanced revenues	-	42,689	-	-	42,689
Total liabilities	4,270	176,237	12,790	5,128	198,425
Fund Balances:					
Restricted for:					
Sick leave	5,322	-	-	-	5,322
Debt service	-	-	-	176	176
Future construction contracts	-	-	41,963	-	41,963
School activities	-	-	-	87,857	87,857
Committed for:					
Contingency	455,030	-	-	-	455,030
Assigned for:					
Site based carry forward SBDM	16,013	-	-	-	16,013
Unassigned	436,251	-	-	-	436,251
Total fund balances	912,616	-	41,963	88,033	1,042,612
TOTAL LIABILITIES AND FUND BALANCES	\$916,886	\$176,237	\$54,753	\$93,161	\$1,241,037

See notes to financial statements.

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

Total fund balances per fund financial statement \$ 1,042,612

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Cost	\$ 17,673,043	
Accumulated depreciation	<u>(6,885,455)</u>	10,787,588

Certain long-term assets are not reported in this fund financial statement because they are not available to pay current-period expenditures, but they are reported in the statement of net position.

Investments - prefunded escrow		932,312
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Deferred outflows and deferred inflows of resources are amortized in the governmental activities, but were recognized in full in the governmental funds.

Debt discounts	87,021	
Contributions made after the measurement date	133,965	
Difference between projected and actual earnings	<u>(119,758)</u>	101,228

Certain liabilities are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position.

Interest payable		(86,005)
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the fund statements. Long-term liabilities at year end consist of:

Bond and lease obligations	(10,131,177)	
Accrued sick leave payable	(11,974)	
Net pension liability	<u>(1,072,867)</u>	(11,216,018)

The Kentucky Schools Boards Insurance Trust liability related to the deficit in the worker's compensation and liability pools is not due and payable in the current period and, therefore, not reported as liabilities in the fund statements.

(209,708)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		<u>\$ 1,352,009</u>
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Note: Nonmajor funds consist of the Capital Outlay, FSPK, Debt Service, and District Activity funds.

See notes to financial statements.

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

	General Fund	Special Revenue (Grant) Fund	Construction Fund	Nonmajor Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 1,457,509	\$ -	\$ -	\$ 241,604	\$ 1,699,113
Earnings on investments	8,734	-	-	-	8,734
Intergovernmental - state	3,326,782	410,206	-	339,194	4,076,182
Intergovernmental - on-behalf	1,378,744	-	-	254,594	1,633,338
Intergovernmental - federal	-	431,317	-	171,087	602,404
Other	25,473	94,778	-	178,478	298,729
Total revenues	6,197,242	936,301	-	1,184,957	8,318,500
Expenditures:					
Current:					
Instruction	3,615,157	709,674	-	113,677	4,438,508
Support services:					
Student	261,305	68,331	-	-	329,636
Instructional staff	140,020	98,577	-	26,319	264,916
District administration	594,260	-	-	-	594,260
School administration	392,503	-	-	-	392,503
Business	235,077	-	-	-	235,077
Plant operations and maintenance	620,792	-	-	-	620,792
Student transportation	519,350	-	-	-	519,350
Community service	-	76,138	-	-	76,138
Facility acquisition and construction	-	-	1,213,929	-	1,213,929
Debt service:					
Prefunded escrow	-	-	-	178,154	178,154
Principal	58,510	-	-	285,000	343,510
Interest and other charges	13,759	-	24,707	361,434	399,900
Total expenditures	6,450,733	952,720	1,238,636	964,584	9,606,673
Excess (deficit) of revenues over expenditures	(253,491)	(16,419)	(1,238,636)	220,373	(1,288,173)
Other Financing Sources (Uses):					
Bond proceeds	-	-	1,090,000	-	1,090,000
Operating transfers in	205,028	16,419	-	398,907	620,354
Operating transfers out	(16,419)	-	-	(580,798)	(597,217)
Total other financing sources (uses)	188,609	16,419	1,090,000	(181,891)	1,113,137
Net change in fund balances	(64,882)	-	(148,636)	38,482	(175,036)
Fund balances, July 1, 2014	977,498	-	190,599	49,551	1,217,648
FUND BALANCES, JUNE 30, 2015	\$ 912,616	\$ -	\$ 41,963	\$ 88,033	\$ 1,042,612

See notes to financial statements.

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

Net change in fund balances \$ (175,036)

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	\$ (553,456)	
Capital outlays	<u>1,308,586</u>	755,130

Capital lease and bond proceeds are reported as financing sources in governmental funds and as an increase to liabilities in the statement of net position. Repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position. Similarly, sinking fund payments are an expenditure in the governmental funds, but are recorded as an escrow asset account in the statement of net position.

Bond proceeds	(1,090,000)	
Prefund escrow payment	178,154	
Capital lease paid	58,510	
Principal paid	<u>285,000</u>	(568,336)

Governmental funds report the effect of discounts when debt is first issued; whereas, these amounts are deferred and amortized in the statement of activities.

Bond discounts deferred on new bond issues	4,266	
Amortization of bond discounts	<u>(10,974)</u>	(6,708)

Governmental funds report CERS pension contributions as expense when they are paid. The changes in assumptions surrounding pension liabilities are deferred and amortized in the statement of activities. This also includes adjustments for contributions made after the measurement date of the plan. For KTRS contributions paid on-behalf of the District, the actual contributions are expensed when they are paid. The amount reported in the Statement of Activities is based on actuarial projections. The \$599,897 difference due to actuarial projections on KTRS does not result in a reconciling item.

Contributions after the measurement date	133,965	
Amortization of deferred inflows	29,940	
Pension expense	<u>(115,810)</u>	48,095

Generally, revenue is recognized in this fund financial statement when it becomes both measurable and available to finance expenditures of the current period.

Interest earned on prefunded escrow		27,685
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The net loss on disposal of assets is reported in the statement of activities, whereas, in the governmental funds, any proceeds from the sale increases financial resources.

Loss on disposal of assets		(1,169)
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Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred. These net differences are as follows:

Accrued sick leave	4,901	
Accrued interest expense	(9,250)	
KSBIT assessment	<u>81,238</u>	<u>76,889</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 156,550</u></u>
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See notes to financial statements.

CARLISLE COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2015

<u>ASSETS</u>	<u>Enterprise Fund Food Services</u>
Current Assets:	
Cash and cash equivalents	\$ 70,237
Inventories	18,365
Total current assets	88,602
Noncurrent Assets:	
Furniture and equipment	202,406
Less accumulated depreciation	(150,260)
Total noncurrent assets	52,146
TOTAL ASSETS	140,748
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>	
District pension contributions subsequent to measurement date	24,491
 <u>LIABILITIES</u>	
Accounts payable	1,294
Net pension liability	187,833
TOTAL LIABILITIES	189,127
 <u>DEFERRED INFLOWS OF RESOURCES</u>	
Difference between projected and actual pension earnings	20,967
 <u>NET POSITION</u>	
Net investment in capital assets	52,146
Unrestricted	(97,001)
TOTAL NET POSITION	\$ (44,855)

See notes to financial statements.

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

	Enterprise Fund Food Services
Operating Revenues:	
Lunchroom sales	\$ 98,718
Operating Expenses:	
Salaries and wages	223,854
In-kind commodities	26,900
Materials and supplies	166,186
Depreciation	11,403
Other operating expenses	10,403
Total operating expenses	438,746
Operating loss	(340,028)
Nonoperating Revenues:	
Federal grants	279,626
Federal grants - in-kind commodities	26,900
State grants	3,943
State grants - on-behalf	57,607
Interest income	198
Total nonoperating revenues	368,274
Operating Transfers:	
Transfer out	(23,137)
Change in net position	5,109
Net position, July 1, 2014	143,802
Adjustments to net position, see note 16	(193,766)
Net position, July 1, 2014, as restated	(49,964)
NET POSITION, JUNE 30, 2015	\$ (44,855)

See notes to financial statements.

CARLISLE COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Enterprise Fund Food Services
Cash Flows from Operating Activities:	
Cash received from:	
Lunchroom sales	\$ 98,718
Cash paid to/for:	
Employees	(233,311)
Supplies	(167,020)
Other activities	(10,403)
	(312,016)
Net cash used by operating activities	(312,016)
Cash Flows from Noncapital Financing Activities:	
Transfer to general fund	(23,137)
Government grants	341,176
	318,039
Net cash provided by noncapital financing activities	318,039
Cash Flows from Investing Activities:	
Purchases of property, plant, and equipment	(9,767)
Receipt of interest income	198
	(9,569)
Net cash used by investing activities	(9,569)
Net decrease in cash and cash equivalents	(3,546)
Cash and cash equivalents, July 1, 2014	73,783
CASH AND CASH EQUIVALENTS, JUNE 20, 2015	\$ 70,237
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$(340,028)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	11,403
Commodities used	26,900
Change in assets and liabilities:	
Inventory	(2,128)
Deferred outflows of resources	(24,491)
Accounts payable	1,294
Net pension liability	(5,933)
Deferred inflows of resources	20,967
	(312,016)
NET CASH USED BY OPERATING ACTIVITIES	\$(312,016)
Schedule of Noncash Transactions:	
Donated commodities received from federal government	\$ 26,900

See notes to financial statements.

CARLISLE COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

	Agency Funds
Assets:	
Cash and cash equivalents	\$112,823
Liabilities:	
Accounts payable	40,941
Due to student groups	40,139
Due to students in general	30,341
Due to teachers	1,402
Total liabilities	112,823
NET POSITION	\$ -

See notes to financial statements.

CARLISLE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1 - Reporting Entity:

The Carlisle County Board of Education, 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 Carlisle County, Kentucky. The Carlisle County School District (District) receives funding from local, state, and federal government sources and must comply with the commitment requirement 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 because board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the District itself such as Band Boosters, Parent-Teacher Associations, etc. The District is not involved in budgeting or managing these organizations, and is not responsible for any debt of the organizations nor has any influence over the operation of the organizations.

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

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

Carlisle County School Board Finance Corporation - In 1988, the Carlisle County, Kentucky School District resolved to authorize the establishment of the Carlisle County School Board Finance Corporation (a nonprofit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the District for financing the costs of school building facilities. The Board Members of the Carlisle County School District also comprise the Corporation's Board of Directors.

Note 2 - Summary of Significant Accounting Policies:

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the District's accounting policies are described below.

Basis of Presentation

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include all 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. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

(Continued)

CARLISLE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 2 - Summary of Significant Accounting Policies (Continued):

Basis of Presentation

Government-Wide Financial Statements

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and, 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

The financial transactions of the District are reported in individual funds in the fund financial statements, each of which is considered to be a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. 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, current liabilities, and fund balances, and a statement of revenues, expenditures, and changes in fund balances, which reports on the sources (i.e., revenue and other financing resources) and uses (i.e., expenditures and other uses) of current financial resources.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in total net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The fiduciary funds are reported using the economic resource measurement focus.

(Continued)

CARLISLE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 2 - Summary of Significant Accounting Policies (Continued):

Basis of Accounting

The District has the following funds:

a. Governmental Fund Types

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 always classified as a major fund of the District per GASB 34.

The Special Revenue (Grant) 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. This is a major fund of the District.

The District Activity Fund accounts for proceeds of specific revenue sources, such as donations, grants, non-student fundraisers, etc., that are restricted by the individual schools. Project accounting is employed to maintain integrity for the various sources of funds.

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

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.

b. Proprietary Fund Types (Enterprise Fund)

The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). An amount of \$26,900 has been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund of the District.

(Continued)

CARLISLE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 2 - Summary of Significant Accounting Policies (Continued):

Fund Accounting

c. Fiduciary Fund Types

Agency Funds account for assets held by the District in a purely custodial capacity. Since Agency Funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations. The Agency 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*.

Basis of Accounting

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

Exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On the 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 resources are 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 the 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 the modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

Advanced Revenue - Advanced 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 advanced revenue.

Deferred Outflows and Deferred Inflows - Deferred outflow of resources represents a consumption of net position by the District that is applicable to a future reporting period and will not be recognized as an outflow of resources (expense) until that time. Deferred inflow of resources represents an acquisition of net position by the District that is applicable to a future reporting period and will not be recognized as an inflow of resources (revenue) until that time. The District reports deferred outflows and inflows of resources with respect to their participation in the County Employee Retirement System as discussed further in note 8.

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

(Continued)

CARLISLE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 2 - Summary of Significant Accounting Policies (Continued):

Fund Accounting

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

Property Taxes

Property 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 due date is based on a period ending thirty days after the tax bill mailing. For the government-wide financial statements, property taxes collected are recorded as revenues in the fund for which they are levied.

The property tax rates assessed for the year ended June 30, 2015, to finance operations were \$.529 per \$100 valuation for real property, \$.478 per \$100 valuation for business personal property, and \$.529 per \$100 valuation for motor vehicles.

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

Budgetary Process

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

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

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

Once the budget is approved, it can be amended. Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year end.

Cash and Cash Equivalents

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

Inventories

The only inventory maintained by the District consists of expendable supplies held for consumption and is accounted for in the proprietary fund. Inventory consists of purchased food held for consumption and is expensed when used. The purchased food is valued at cost.

(Continued)

CARLISLE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015

Note 2 - Summary of Significant Accounting Policies (Continued):

Debt Discounts

Unamortized debt discounts of \$87,021 are included in the government-wide statements as deferred outflows of resources. Debt discounts are amortized over the lives of the related debt issues using the effective interest method.

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five thousand dollars. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not. Technology assets acquired through E-rate are capitalized at full cost with the portion paid by E-rate being treated as donated assets.

All capital assets, except land, 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 governmental and business-type capital assets:

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

Accumulated Unpaid Sick Leave Benefits

For those employees who qualify, the District has adopted a policy of providing at retirement a percentage of their accumulated unused 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 past experience of making termination payments.

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

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

(Continued)

CARLISLE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 2 - Summary of Significant Accounting Policies (Continued):

Accrued Liabilities and Long-Term Obligations

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, 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 liabilities 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 liabilities in the fund financial statements until due.

Fund Balance Classifications

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which for the District, is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment.

Assigned fund balances are those amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows the District's Superintendent, or his designee, to complete purchase orders which result in the encumbrance of funds. Assigned fund balance also includes (a) all remaining amounts, except negative balances, that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The District considers restricted amounts to have been spent first when expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available. The District does not have a policy regarding the use of unrestricted fund balance amounts. Therefore, the default order is used which considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

(Continued)

CARLISLE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 2 - Summary of Significant Accounting Policies (Continued):

Fund Balance Classifications

Statutorily, the Kentucky Department of Education may assume financial control over any school district whose fund balance drops below 2% of the total expenditures of certain funds. The Board committed funds to ensure fund balance remains above this level. While these funds have been properly committed and not budgeted for future years' expenditures, there is no mandate on how these funds would be used if the Board fell below this floor.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consist 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. The government-wide statement of net position reports \$1,067,630 of restricted net position, of which \$5,322 is restricted by enabling legislation.

Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues and expenses 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. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from nonexchange transactions or ancillary activities.

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 Kentucky Teachers Retirement System (KTRS) and County Employee's Retirement System (CERS) and additions to/deductions from the plans' fiduciary net positions have been determined on the same basis as they are reported by the plans. 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.

Use of Restricted Sources

When an expense is incurred for which there are both restricted and unrestricted net position available, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Interfund Activity

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

(Continued)

CARLISLE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 2 - Summary of Significant Accounting Policies (Continued):

Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through October 28, 2015, the date the financial statements were available to be issued.

Note 3 - Estimates:

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

Note 4 - Cash and Cash Equivalents:

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to KRS 160.570 and 702 KAR 3:090. The depository bank deposits for safekeeping and trusts with the District's third party agent approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Kentucky Revised Statutes authorize the District to invest in direct obligations of the United States government, obligations backed by the full faith and credit of the United States government, certificates of deposit or other interest bearing accounts issued by any bank or savings and loan institution provided that such investment is insured by the FDIC or guaranteed by the pledge of direct United States government obligations, bonds issued by the Commonwealth of Kentucky or one of its agencies and instrumentalities, securities issued by any state or local government of the United States rated in one of the three highest categories by a nationally recognized rating agency, certain mutual funds, commercial paper rated in the highest category by a nationally recognized rating agency, or bankers' acceptances for banks rated in one of the three highest categories by a nationally recognized rating agency. The District has no investment policy that would further limit its investment choices.

At year end, the carrying amount of the District's cash and cash equivalents was \$1,213,414 and the bank balance was \$1,273,558. Deposits were held in four financial institutions. Of the bank balance, \$505,297 was covered by federal depository insurance and the remaining balance was subject to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. This remaining balance of \$768,261 was uninsured and collateralized with securities held by the pledging bank's agent, not in the District's name.

(Continued)

CARLISLE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 5 - Capital Assets:

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

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2015</u>
Governmental Activities:				
Land	\$ 10,500	\$ -	\$ -	\$ 10,500
Construction in progress	82,975	(82,975)	-	-
Land improvements	167,791	9,250	-	177,041
Buildings and improvements	12,786,029	1,306,875	-	14,092,904
Technology equipment	586,098	23,319	-	609,417
General equipment	1,607,230	52,117	6,749	1,652,598
Vehicles	<u>1,130,583</u>	<u>-</u>	<u>-</u>	<u>1,130,583</u>
Totals at historical cost	<u>16,371,206</u>	<u>1,308,586</u>	<u>6,749</u>	<u>17,673,043</u>
Less accumulated depreciation:				
Land improvements	147,080	4,466	-	151,546
Buildings and improvements	3,861,485	322,924	-	4,184,409
Technology equipment	572,586	12,233	-	584,819
General equipment	938,922	148,990	5,580	1,082,332
Vehicles	<u>817,506</u>	<u>64,843</u>	<u>-</u>	<u>882,349</u>
Total accumulated depreciation	<u>6,337,579</u>	<u>553,456</u>	<u>5,580</u>	<u>6,885,455</u>
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS - NET	<u>\$10,033,627</u>	<u>\$ 755,130</u>	<u>\$ 1,169</u>	<u>\$10,787,588</u>
Business-type Activities:				
Food service equipment	\$ 179,810	\$ 9,767	\$ -	\$ 189,577
Technology equipment	<u>28,823</u>	<u>-</u>	<u>15,994</u>	<u>12,829</u>
Totals at historical cost	<u>208,633</u>	<u>9,767</u>	<u>15,994</u>	<u>202,406</u>
Less accumulated depreciation:				
Food service equipment	126,933	11,403	-	138,336
Technology equipment	<u>27,918</u>	<u>-</u>	<u>15,994</u>	<u>11,924</u>
Total accumulated depreciation	<u>154,851</u>	<u>11,403</u>	<u>15,994</u>	<u>150,260</u>
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS - NET	<u>\$ 53,782</u>	<u>\$ (1,636)</u>	<u>\$ -</u>	<u>\$ 52,146</u>

Depreciation was charged to governmental functions as follows:

Instruction	\$198,601
Support services:	
Student	3,040
District administration	7,918
School administration	5,131
Business	1,694
Plant operations and management	271,456
Student transportation	64,842
Community services	<u>774</u>
TOTAL DEPRECIATION EXPENSE	<u>\$553,456</u>

(Continued)

CARLISLE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 6 - Bond and Lease Obligations:

The amount shown in the accompanying government-wide financial statements as bond and lease obligations represents the District's future obligations to make payments relating to the bonds and leases issued by the Fiscal Court of Carlisle County and the Carlisle County School Board Finance Corporation. These amounts are not reflected on the fund financial statements.

The District, through the General Fund, the SEEK Capital Outlay Fund, and the Facility Support Program Levy Fund, is obligated to make bond and lease payments. The agreements provide, among other things, for rentals sufficient to satisfy debt service requirements on bonds issued by the Fiscal Court and the Carlisle County School Board Finance Corporation to construct school facilities. The District has the option to purchase the property under lease at any time by retiring the bonds then outstanding. Upon completion of such payments, the leased premises should become property of the District. The District is obligated to maintain adequate property insurance on the school facilities, and the school facilities have been pledged as security for the holders of the bonds.

Bonds

The original amount of each issue, the issue date, outstanding balance, and interest rates are summarized below.

<u>Issue Date</u>	<u>Proceeds</u>	<u>Remaining Balances</u>	<u>Rates</u>
August 1, 2007	\$ 565,000	\$ 410,000	3.70% - 4.125%
September 6, 2007 (QZAB)	500,000	500,000	5.860%
May 1, 2008	2,560,000	2,160,000	2.30% - 4.000%
June 1, 2009	735,000	585,000	4.150%
July 1, 2009 (Refinancing)	325,000	45,000	1.00% - 3.000%
October 1, 2010 (Refinancing)	1,610,000	1,000,000	.800% - 3.000%
October 1, 2011 (QZAB)	4,010,000	4,010,000	4.60%
July 1, 2014	1,090,000	1,090,000	2.00-4.00%

The October 2011 bond issue is a \$4,010,000 Qualified Zone Academy Revenue Bond which is a tax credit bond. The District received \$4,010,000, less the issuance cost of \$64,700, to deposit into its construction fund. The District and the Kentucky School Facility Construction Commission are required to make equal annual sinking fund payments to The Bank of New York Mellon Trust Company, an escrow agent, in the amount of \$105,669 and \$72,485, respectively, commencing October 1, 2012 and such amounts shall be held and invested by the escrow agent for payment of principal of \$4,010,000 at the bonds maturity on October 1, 2029. Sinking fund payments of \$178,154 were made in fiscal year ending June 30, 2015. One hundred percent of the interest subsidy is eligible to be paid by the United States Treasury directly to the issuer, or its designee paying agent, and applied only to the payment of interest due on the bonds or reimbursement to the issuer for such payment. The federal government only paid 92.7% of the eligible interest subsidy due to budget cuts in fiscal year 2015.

In October 2010, the District issued bonds to redeem its outstanding November 1, 2001 revenue bonds. The liability for the defeased bond is not included in the District's financial statements. On June 30, 2012, \$1,525,000 of bonds outstanding was considered defeased. In the statement of net position, the net discounts associated with the early debt retirement of the issue are treated as deferred outflows of resources and amortized over the remaining life of the defeased debt. The total deferred discounts were \$17,775. The amortization for the year was \$1,920 and is included as a component of interest expense.

In July 2009, the District issued bonds to redeem its outstanding June 1, 1994, September 1, 1996, and November 1, 1996 revenue bonds. The liabilities for the defeased bonds are not included in the District's

(Continued)

CARLISLE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 6 - Bond and Lease Obligations (Continued):

financial statements. On June 30, 2012, \$305,000 of bonds outstanding was considered defeased. In the statement of net position, the net discounts associated with the early debt retirement of the issues are treated as deferred outflows of resources and amortized over the remaining life of the defeased debt. The total deferred discounts were \$1,865. The amortization for the year was \$91 and is included as a component of interest expense.

The September 2007 bond issue is a \$500,000 Qualified Zone Academy Revenue Bond which is a tax credit bond. The District received \$500,000, less the issuance costs of \$15,435, to deposit into its construction fund. The District was required to make a one-time payment of \$272,000 into an escrow account to be held by the purchaser of the bonds. The purchaser of the bonds receives a tax credit for purchasing them and guarantees the \$272,000 in escrow plus the compounded interest earned on it over the life of the bonds will equal exactly \$500,000 at September 5, 2022, which is the maturity date. At maturity, the escrow will be transferred back to the District's bond accounts to pay the bonds in full.

In 2007, 2008, 2009 and 2014, the District entered into "participation agreements" with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amounts remains with the District, and as such, the total principal outstanding has been recorded in the financial statements.

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

Fiscal Year	Carlisle County School District		US Treasury Interest Subsidy	Kentucky School Facilities Construction Commission		Total
	Principal	Interest	Interest	Principal	Interest	
2015-2016	\$ 195,510	\$ 277,232	\$ (171,179)	\$ 149,490	\$ 91,777	\$ 542,830
2016-2017	196,206	272,432	(171,179)	148,794	87,142	533,395
2017-2018	199,936	267,661	(171,179)	140,064	82,528	519,010
2018-2019	206,149	261,874	(171,179)	143,851	77,842	518,537
2019-2020	212,256	255,417	(171,179)	147,744	73,049	517,287
2020-2025	1,494,623	1,172,686	(855,894)	825,377	284,132	2,920,924
2025-2030	4,689,543	887,615	(770,305)	720,457	125,718	5,653,028
2030-2035	<u>2,559</u>	<u>315</u>	<u>-</u>	<u>327,441</u>	<u>32,485</u>	<u>362,800</u>
TOTALS	<u>\$7,196,782</u>	<u>\$3,395,232</u>	<u>\$(2,482,094)</u>	<u>\$2,603,218</u>	<u>\$854,673</u>	<u>\$11,567,811</u>

Capital Leases

The KISTA school bus acquisition bonds provide for the title of the equipment (buses) to vest in the District subject to a first lien, and if nonrenewal or default occurs, the title will revert to KISTA. The District leases and rents the equipment from KISTA on an annual basis and has an exclusive option to renew this lease from year to year for the period of time of the pooled bond issue (approximately 10 years). The semi-annual bond interest and principal payments constitute the lease payments. The District is also obligated to keep the equipment in good repair and provide insurance coverage.

(Continued)

CARLISLE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 6 - Bond and Lease Obligations (Continued):

Capital Leases

The MUSCO Master Equipment Lease Purchase Agreement provides for the title of equipment (lighting project) and all additions, repairs, replacements or modifications shall vest in the District. If nonrenewal or default occurs, the title will revert to MUSCO. The Master Equipment Lease Purchase Agreement is for a term of 10 years with the option to renew at the end of the original term or any renewal term for an additional renewal term. Principal and interest payments are to be paid annually beginning June 1, 2012.

The District has a lease agreement for a copier as well. The buses and equipment have a historical cost and accumulated amortization of \$578,357 and \$261,139, respectively, under the capital lease agreements. Amortization is included in depreciation expense. Future minimum lease payments at June 30, 2015, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015-2016	\$ 58,833	\$11,820	\$ 70,653
2016-2017	60,826	9,785	70,611
2017-2018	58,057	7,616	65,673
2018-2019	58,708	5,507	64,215
2019-2020	35,623	3,285	38,908
2020-2023	<u>59,130</u>	<u>2,611</u>	<u>61,741</u>
 TOTALS	 <u>\$331,177</u>	 <u>\$40,624</u>	 <u>\$371,801</u>

Changes in Long-Term Liabilities

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

	<u>Balance July 1, 2014</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2015</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable	\$8,995,000	\$1,090,000	\$285,000	\$ 9,800,000	\$345,000
Capital leases	<u>389,687</u>	-	<u>58,510</u>	<u>331,177</u>	<u>58,833</u>
Bond and lease obligations	9,384,687	1,090,000	343,510	10,131,177	403,833
 Accumulated sick leave	 16,875	 -	 4,901	 11,974	 -
KSBIT assessment	<u>290,946</u>	 -	<u>81,238</u>	<u>209,708</u>	<u>46,286</u>
 GOVERNMENTAL ACTIVITY LONG-TERM LIABILITIES	 <u>\$9,692,508</u>	 <u>\$1,090,000</u>	 <u>\$429,649</u>	 <u>\$10,352,859</u>	 <u>\$450,119</u>

Note 7 - Operating Leases:

On August 12, 1993, the District signed an agreement with the Murray Board of Education to lease physical facilities of the District to conduct Head Start programs. This agreement is renewable for twenty-nine one-year periods.

(Continued)

CARLISLE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 8 - Retirement Plans:

The State reports 1) an asset, deferred outflows of resources; 2) liabilities, net pension liability and deferred inflows of resources; and 3) certain expenses; as a result of its statutory requirement to contribute to the Kentucky Teachers' Retirement System (KTRS). The District reports 1) an asset, deferred outflows of resources; 2) liabilities, net pension liability and deferred inflows of resources; and 3) certain expenses; as a result of its statutory requirement to contribute to the County Employees Retirement System (CERS).

Plan description. The Carlisle County School District participates in the Kentucky Teachers' Retirement System (KTRS) and the County Employee's Retirement System (CERS), both cost-sharing multiple-employer defined benefit pension plans which are administered by the Kentucky Retirement System. Teaching-certified employees are covered under KTRS and substantially all other employees (classified employees) are covered under CERS.

The plan covers all regular full-time members employed in non-hazardous and hazardous duty positions of any state department, board, agency, county, city, school board, and any additional eligible local agencies electing to participate. Both plans provide retirement, disability benefits, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost of living adjustments (COLA) are provided at the discretion of the State legislature. Under the provisions of Kentucky Revised Section 61.645, the Board of Trustees of Kentucky Retirement Systems provides for the establishment of both systems and benefit amendments are authorized by the State legislature. The Kentucky Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for the plan. The report may be obtained by writing or calling the plans:

Kentucky Teachers' Retirement System
479 Versailles Road
Frankfort, Kentucky 40601-3800
(502) 573-3266

Kentucky Retirement Systems
Perimeter Park West
1260 Louisville Road
Frankfort, Kentucky 40601-6124
(502) 564-4646

Kentucky Teachers' Retirement System (KTRS)

Funding Policies. Plan members of KTRS are required to contribute 12.105% of their annual covered salary for fiscal year 2015. Plan members were required to contribute 11.355% for fiscal year 2014, and 10.855% for fiscal year 2013. The State provides a contribution of 15.355% for employees hired after July 1, 2008 and 13.105% for employees hired before July 1, 2008, except for federal programs for fiscal year 2015. The 15.355% and matching contributions for covered salaries of federal programs are paid by those programs. The State contribution for fiscal year 2014 was 14.605%. The State contribution for fiscal year 2013 was 14.105%. For fiscal years ended June 30, 2015, 2014, and 2013, the District contributed an additional 2.25%, 1.50%, and 1.00%, respectively for employee medical insurance. KTRS requires that members of KTRS occupy a position requiring either a four-year college degree or certification by Kentucky Department of Education.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions. The state is the only entity that has a legal obligation to make contributions directly to a cost-sharing pension plan that is used to provide benefits to employees of local governments. Therefore, the state reports 100 percent of the net pension liability associated with benefits provided through the cost-sharing plan, and the District does not recognize any of the liability. Each employer's proportionate share is zero percent. For the year ended June 30, 2015, the District recognized on-behalf pension expense and revenue on the statement of activities in the amount of \$1,155,654 for 2015 for support provided by the State.

(Continued)

CARLISLE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 8 - Retirement Plans (Continued):

Kentucky Teachers' Retirement System (KTRS)

The net pension liability as of June 30, 2015, is based on the June 30, 2013, actuarial valuation for the first year of implementation. As a result, there are no differences between expected and actual experience or changes in assumptions subject to amortization. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period.

Actuarial assumptions. The total pension liability in the June 30, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation	3.5%
Salary increases, including inflation	4.0 – 8.20%
Long-term investment rate of return, net of pension plan investment expense, including inflation	7.50%
Municipal bond index rate	
Prior measurement date	4.27%
Measurement date	4.35%
Year FNP is projected to be depleted	2036
Single equivalent interest rate, net of pension plan investment expense, including inflation	
Prior measurement date	5.16%
Measurement date	5.23%
Post-retirement benefit increase	1.50% annually

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 to AA to 2020 with a setback of 1 year for females.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2010 adopted by the Board on December 19, 2011.

The long-term expected rate of return on pension plan investments was determined using a 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.

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

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

(Continued)

CARLISLE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015

Note 8 - Retirement Plans (Continued):

Kentucky Teachers' Retirement System (KTRS)

The discount rate used to measure the total pension liability as of the measurement date was 5.23%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67. It was assumed the plan member contributions will be made at the current contribution rates and employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members until the 2036 plan year and, as a result, the Municipal Bond Index Rate was used in the determination of the single equivalent interest rate. On the prior measurement date, the long-term expected rate of return of 7.5% on plan investments was applied to periods before 2036 and the Municipal Bond Index Rate of 4.27% was applied to periods on or after 2036, resulting in a single equivalent interest rate of 5.16%. There was a change in the Municipal Bond Index Rate from the prior measurement date to the measurement date, so as required under GASB 68, the single equivalent interest rate at the measurement date of 5.23% was calculated using the Municipal Bond Index Rate as of the measurement date of 4.35%. This change in the discount rate is considered a change in actuarial assumptions under GASB 68.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the net pension liability of the District calculated using the discount rate of 5.23%, 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 (4.23%) or 1-percentage-point higher (6.23%) than the current rate:

	1% Decrease <u>(4.23%)</u>	Current Discount <u>(5.23%)</u>	1% Increase <u>(6.23%)</u>
System's net pension liability	\$31,136,846	\$24,787,851	\$19,548,190

County Employee's Retirement System (CERS)

Funding Policies. Contribution rates are established by the Kentucky Revised Statutes. Non-hazardous plan members who began participating prior to September 1, 2008 are required to contribute 5% of their annual creditable compensation. Plan members who began participating on, or after, September 1, 2008 are required to contribute 6% of their annual creditable compensation, which includes 1% for retirement health insurance coverage. The Carlisle County School District provides a contribution of 17.67% of annual covered payroll. The required District contribution rates for fiscal years ending June 30, 2014 and 2013 were 18.89% and 19.55%, respectively.

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 of \$1,260,700 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's share of contributions to the pension plan relative to the total contributions of the all participating employers, actuarially determined. At June 30, 2014, the District's proportion was .038858%.

(Continued)

CARLISLE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 8 - Retirement Plans (Continued):

County Employee's Retirement System (CERS)

As a result of its requirement to contribute to CERS, the District recognized pension expenses of \$100,905 for the year ended June 30, 2015. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources from the following sources as a result of its requirements to contribute to CERS:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Net differences between projected and actual earnings on pension plan investments	\$ -	\$140,725
District contributions subsequent to the measurement date	158,456	-
TOTALS	\$158,456	\$140,725

Deferred outflows of resources in the amount of \$158,456 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 of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30</u>		
2016	\$	35,182
2017		35,181
2018		35,181
2019		35,181
TOTAL		\$140,725

The net pension liability as of June 30, 2015, is based on the June 30, 2014, actuarial valuation for the first year of implementation. As a result, there are no differences between expected and actual experience or changes in assumptions subject to amortization. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period.

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

- Inflation – 3.5%
- Salary increases – 4.5%, average including inflation
- Investment rate of return – 7.75%, net of pension plan investment expense including inflation

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

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for KRS. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a 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

(Continued)

CARLISLE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 8 - Retirement Plans (Continued):

County Employee's Retirement System (CERS)

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 cover a longer time frame. 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.

Discount rate. The discount rate determination does not use a municipal bond rate. Projected future benefit payments for all current plan members were projected through 2116. The target allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the following table:

<u>Asset</u>	<u>Target Allocation</u>	<u>Long-Term Nominal Class Rate of Return</u>
Domestic Equity	30.0%	8.45%
International Equity	22.0%	8.85%
Emerging Market Equity	5.0%	10.5%
Private Equity	7.0%	11.25%
Real Estate	5.0%	7%
Core US Fixed Income	10.0%	5.25%
High Yield US Fixed Income	5.0%	7.25%
Non US Fixed Income	5.0%	5.5%
Commodities	5.0%	7.75%
TIPS	5.0%	5%
Cash	<u>1.0%</u>	3.25%
Total	<u>100.0%</u>	

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 employee contributions will be made at the current contribution rate and that contributions from school districts will be made at contractually required rates (actuarially determined). 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 active and inactive employees. The long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$1,658,997	\$1,260,700	\$908,795

(Continued)

CARLISLE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 9 - Benefits Funded by Kentucky State Department of Education:

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

Contributions to Kentucky Teachers’ Retirement System	\$ 555,757
Technology	42,094
Debt Service	254,594
Health insurance, life insurance, flexible spending accounts (includes administrative fee)	<u>838,500</u>
TOTAL	<u>\$1,690,945</u>

These payments are recorded in the General, Debt Service, and School Food Service Funds as revenue and expenditures in the statements of revenues, expenditures, and changes in fund balances and the statement of revenues, expenses, and changes in net position. The District is not legally responsible for these contributions. These payments are not budgeted by the District.

On-behalf contributions were charged to governmental functions as follows:

Instruction	\$1,038,089
Support services:	
Student	22,816
District administration	68,445
School administration	102,669
Business	64,909
Plant operations and management	11,408
Student transportation	70,408
Debt service	<u>254,594</u>
Total governmental funds on-behalf	1,633,338
Food services	<u>57,607</u>
TOTAL ON-BEHALF CONTRIBUTIONS	<u>\$1,690,945</u>

Note 10 - Contingencies:

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

Note 11 - Commitments for New Elementary School:

The District has an approved agreement for a new elementary school. The estimated cost of this project is \$10,275,000 to begin in the next fiscal year. The cost of construction will be funded by the issuance of School Building Revenue Bonds.

(Continued)

CARLISLE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015

Note 12 - Insurance and Related Activities:

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

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. 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. The District carries commercial insurance for all other risks of loss, including the coverage listed on page 53 of the supplemental data. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 13 - 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 14 - Excess of Expenditures Over Appropriations:

The food service fund has a deficit balance of \$44,855. Excluding the adjustment to net position for GASB 68 related to the net pension liability of \$193,766, food service has a net position of \$148,911. The general and special revenue funds had current year expenditures over current year appropriations totaling \$1,140,683 and \$52,887, respectively. If on-behalf expenditures had been budgeted, current year expenditures would not have exceeded appropriations for the general fund.

Note 15 - Transfer of Funds:

The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	001	002	Match	\$ 16,419
Operating	510	001	Indirect cost	23,137
Operating	320	400	Debt service	398,907
Operating	310	001	Capital funds request	68,410
Operating	320	001	Capital funds request	113,481

Note 16 - Change in Accounting Principles and Restatement of Beginning Net Position:

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which amends GASB Statement No. 27. The new standard addresses several issues regarding public pension plans, including the liabilities reported pertaining to unfunded portions and the disclosure requirements of those plans. The standard is effective for the District for the fiscal year beginning July 1, 2015. The new standard requires the District to report its proportionate share of the total net pension liability of the County Employee Retirement System Plan as a liability on the statement of net position and on the statement of revenues, expenses, and changes in net position for the proprietary food service fund. The standard also requires the deferral of changes in the net pension liability and amortization of those changes over set periods.

(Continued)

CARLISLE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 16 - Change in Accounting Principles and Restatement of Beginning Net Position (Continued):

The District's proportionate share of the net pension liability and deferred outflows at July 1, 2014 was \$1,468,937 and \$ 168,417, respectively. These amounts are allocated to the governmental and business type funds based actual contributions for fiscal year 2014. Beginning net position at July 1, 2014, has been adjusted to reflect this.

Governmental Funds

Net position July 1, 2014, as previously stated		\$ 2,302,213
Proportionate share of net pension liability	\$(1,250,078)	
Deferred outflows		
Contributions made after the measurement date	<u>143,324</u>	
Adjustments to net position		<u>(1,106,754)</u>
NET POSITION JULY 1, 2014, AS RESTATED		<u>\$ 1,195,459</u>

Business-type Funds

Net position July 1, 2014, as previously stated		\$ 143,802
Proportionate share of net pension liability	\$ (218,859)	
Deferred outflows		
Contributions made after the measurement date	<u>25,093</u>	
Adjustments to net position		<u>(193,766)</u>
NET POSITION JULY 1, 2014, AS RESTATED		<u>\$ (49,964)</u>

The net position at June 30, 2013 and related deferred outflows and inflows could not be determined in a practical manner. Therefore, net position at June 30, 2013 has not been restated and is presented based on previous guidance under GASB Statement No. 27.

REQUIRED SUPPLEMENTARY INFORMATION

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

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
From local sources:				
Taxes	\$1,336,000	\$1,353,000	\$1,457,509	\$ 104,509
Other	21,000	21,000	34,207	13,207
Intergovernmental - state	3,413,224	3,405,224	3,326,782	(78,442)
Intergovernmental - on-behalf	-	-	1,378,744	1,378,744
Other sources	19,000	227,142	205,028	(22,114)
Total revenues	4,789,224	5,006,366	6,402,270	1,395,904
Expenditures:				
Instruction	2,719,501	2,708,143	3,615,157	(907,014)
Support services:				
Student	242,955	242,186	261,305	(19,119)
Instructional staff	147,055	153,549	140,020	13,529
District administration	471,339	552,577	594,260	(41,683)
School administration	291,906	291,913	392,503	(100,590)
Business	172,426	172,426	235,077	(62,651)
Plant operations and maintenance	583,542	665,542	620,792	44,750
Student transportation	481,500	481,500	519,350	(37,850)
Other	399,000	658,530	88,688	569,842
Total expenditures	5,509,224	5,926,366	6,467,152	(540,786)
Net change in fund balances	(720,000)	(920,000)	(64,882)	855,118
Fund balances, July 1, 2014	720,000	920,000	977,498	57,498
FUND BALANCES, JUNE 30, 2015	\$ -	\$ -	\$ 912,616	\$ 912,616

Note 1 - Benefits Funded by Kentucky State Department of Education:

The budget presented above does not include on-behalf payments provided by the Kentucky State Department of Education. If on-behalf payments had been included, budgetary total revenues would equal \$6,385,110 and budgetary total expenditures would equal \$7,305,110.

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

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
From local sources	\$ 65,104	\$ 71,125	\$ 94,778	\$ 23,653
Intergovernmental - state	330,709	387,050	410,206	23,156
Intergovernmental - federal	421,865	429,658	431,317	1,659
Other sources	12,000	12,000	16,419	4,419
Total revenues	<u>829,678</u>	<u>899,833</u>	<u>952,720</u>	<u>52,887</u>
Expenditures:				
Instruction	640,329	706,326	709,674	(3,348)
Support services:				
Student	44,482	49,730	68,331	(18,601)
Instructional staff	72,314	67,639	98,577	(30,938)
Plant operations and maintenance	-	-	-	-
Community service	72,553	76,138	76,138	-
Other	-	-	-	-
Total expenditures	<u>829,678</u>	<u>899,833</u>	<u>952,720</u>	<u>(52,887)</u>
Net change in fund balances	-	-	-	-
Fund balances, July 1, 2014	-	-	-	-
FUND BALANCES, JUNE 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CARLISLE COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
COUNTY EMPLOYEE'S RETIREMENT SYSTEM (CERS)
LAST FISCAL YEAR*

	2015
District's proportion of the net pension liability (asset)	0.038858%
District's proportionate share of the net pension liability (asset)	\$ 1,260,700
District's covered-employee payroll	\$ 891,570
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	141.40%
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 of the prior year. Until a full 10-year trend is compiled, the District will present information only for those years for which information is available.

CARLISLE COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
COUNTY EMPLOYEE'S RETIREMENT SYSTEM (CERS)
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	\$158,456	\$168,417	\$181,435	\$169,665	\$153,371	\$148,439	\$120,247	\$144,567	\$120,158	\$ 96,237
Contributions in relation to the contractually required contribution	158,456	168,417	181,435	169,665	153,371	147,807	120,247	143,850	120,158	96,237
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ 632</u>	<u>\$ -</u>	<u>\$ 717</u>	<u>\$ -</u>	<u>\$ -</u>				
District's covered-employee payroll	\$896,754	\$891,570	\$928,058	\$894,860	\$905,834	\$918,559	\$890,722	\$894,042	\$910,976	\$876,477
Contributions as a percentage of covered-employee payroll	17.67%	18.89%	19.55%	18.96%	16.93%	16.16%	13.50%	16.17%	13.19%	10.98%

*The amounts presented for each fiscal year were determined as of June 30 of the current year.

CARLISLE COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
KENTUCKY TEACHERS' RETIREMENT SYSTEM (KTRS)
LAST FISCAL YEAR*

	2015
District's proportion of the net pension liability (asset)	0.0000%
State's proportion of the net pension liability (asset)	0.1148%
District's proportionate share of the net pension liability (asset)	\$ -
State's proportionate share of the net pension liability (asset) associated with the District	\$23,583,795
Total	\$23,583,795
District's covered-employee payroll	\$ 3,596,652
District's total payroll	\$ 4,612,034
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.00%
State's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	655.72%
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 of the prior year. Until a full 10-year trend is compiled, the District will present information only for those years for which information is available.

CARLISLE COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
KENTUCKY TEACHERS' RETIREMENT SYSTEM (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	\$ 670,481	\$ 530,642	\$ 534,644	\$ 508,521	\$ 460,048	\$ 477,278	\$ 482,802	\$ 489,570	\$ 444,899	\$ 427,837
District Contributions in relation to the contractually required contribution - federal programs	43,282	38,868	50,592	68,013	50,916	28,368	30,800	28,173	26,191	30,286
District Contributions in relation to the contractually required contribution - retiree medical insurance hired after 09/01/08	71,442	49,959	33,791	15,972	8,154	-	-	-	-	-
State Contributions in relation to the contractually required contribution -	<u>555,757</u>	<u>441,815</u>	<u>450,261</u>	<u>424,536</u>	<u>400,978</u>	<u>448,910</u>	<u>452,002</u>	<u>461,397</u>	<u>418,708</u>	<u>397,551</u>
Contribution deficiency (excess)	<u>\$ -</u>									
District's covered-employee payroll	\$ 3,457,056	\$ 3,596,652	\$ 3,738,778	\$ 3,105,597	\$ 3,366,678	\$ 3,630,271	\$ 3,680,671	\$ 3,735,750	\$ 3,394,876	\$ 3,264,685
District's total payroll	4,440,551	4,612,034	4,746,716	4,695,577	4,663,501	4,657,798	4,642,006	4,722,209	4,410,864	4,145,544
Contributions as a percentage of covered-employee payroll for employees hired after 07/01/08**	15.355%	14.605%	14.105%	14.105%	14.105%	14.105%	14.105%	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll for employees hired before 07/01/08**	13.105%	13.105%	13.105%	13.605%	13.355%	13.105%	13.105%	13.105%	13.105%	13.105%
Retiree medical insurance percentage	2.25%	1.50%	1.00%	0.50%	1.00%	N/A	N/A	N/A	N/A	N/A

* The amounts presented for each fiscal year were determined as of June 30 of the current year.

**Beginning with fiscal year ended June 30, 2009, KTRS rates are different based on the employee hire date. For all years prior to 2009, the rate is the same regardless of hire date.

OTHER SUPPLEMENTARY SCHEDULES AND SUPPORTING INFORMATION

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

<u>ASSETS</u>	<u>SEEK Capital Outlay Fund</u>	<u>FSPK Fund</u>	<u>Debt Service Fund</u>	<u>District Activity Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Cash and cash equivalents	\$ -	\$ -	\$5,304	\$87,857	\$93,161
TOTAL ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$5,304</u>	<u>\$87,857</u>	<u>\$93,161</u>
 <u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts payable	\$ -	\$ -	\$5,128	\$ -	\$ 5,128
Fund Balances:					
Restricted for:					
Debt service	-	-	176	-	176
School activities	-	-	-	87,857	87,857
Total fund balances	-	-	176	87,857	88,033
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$5,304</u>	<u>\$87,857</u>	<u>\$93,161</u>

See auditor's report on pages 1-3.

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

	SEEK Capital Outlay Fund	FSPK Fund	Debt Service Fund	District Activity Fund	Total Nonmajor Governmental Funds
Revenues:					
Taxes	\$ -	\$ 241,604	\$ -	\$ -	\$ 241,604
Intergovernmental - state	68,410	270,784	-	-	339,194
Intergovernmental - on-behalf	-	-	254,594	-	254,594
Intergovernmental - federal	-	-	171,087	-	171,087
Other	-	-	-	178,478	178,478
	<u>68,410</u>	<u>512,388</u>	<u>425,681</u>	<u>178,478</u>	<u>1,184,957</u>
Total revenues					
	<u>68,410</u>	<u>512,388</u>	<u>425,681</u>	<u>178,478</u>	<u>1,184,957</u>
Expenditures:					
Instruction	-	-	-	113,677	113,677
Instructional staff	-	-	-	26,319	26,319
Debt service:					
Prefunded escrow	-	-	178,154	-	178,154
Principal	-	-	285,000	-	285,000
Interest and other charges	-	-	361,434	-	361,434
	<u>-</u>	<u>-</u>	<u>824,588</u>	<u>139,996</u>	<u>964,584</u>
Total expenditures					
	<u>-</u>	<u>-</u>	<u>824,588</u>	<u>139,996</u>	<u>964,584</u>
Excess (deficit) of revenues over expenditures	<u>68,410</u>	<u>512,388</u>	<u>(398,907)</u>	<u>38,482</u>	<u>220,373</u>
Other Financing Sources (Uses):					
Operating transfers in (out)	<u>(68,410)</u>	<u>(512,388)</u>	<u>398,907</u>	<u>-</u>	<u>(181,891)</u>
Net change in fund balances	-	-	-	38,482	38,482
Fund balances, July 1, 2014	<u>-</u>	<u>-</u>	<u>176</u>	<u>49,375</u>	<u>49,551</u>
FUND BALANCES, JUNE 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 176</u>	<u>\$ 87,857</u>	<u>\$ 88,033</u>

See auditor's report on pages 1-3.

CARLISLE COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN DUE TO
STUDENT GROUPS AND OTHERS
AGENCY FUNDS
CARLISLE COUNTY HIGH SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Due to Student Groups and Others July 1, 2014	Revenues Actual (1)	Expenditures Actual (1)	Due to Student Groups and Others June 30, 2015
General Fund	\$ 4,145	\$ 2,876	\$ 5,955	\$ 1,066
Arts Guild Fund	202	1,020	1,101	121
Athletic Fund	5,682	59,263	50,425	14,520
Baseball	128	17,711	17,243	596
Basketball - Girls	2,871	2,083	4,357	597
Basketball -Boys	1,626	5,699	6,984	341
Beta Club Fund	1,173	520	988	705
Cheerleaders' Fund	1,266	6,267	7,405	128
Cross Country	500	145	40	605
FBLA Fund	1,928	13,097	11,049	3,976
FCC Fund	140	12	-	152
FFA Fund	3,448	23,244	26,665	27
Flower Fund	150	-	141	9
Golf	500	90	587	3
Junior and Senior Prom Fund	2,138	3,940	5,041	1,037
Military Club Fund	100	50	-	150
Pep Club Fund	865	1,545	1,391	1,019
Project Graduation Fund	1,015	-	1,015	-
Softball	263	12,996	11,837	1,422
Stars Fund	95	80	-	175
Student Council Fund	177	-	-	177
Teachers' Lounge Fund	236	888	1,024	100
Vending	191	231	345	77
Volleyball	3,000	2,443	5,443	-
Yearbook Fund	13,763	820	11,268	3,315
TOTALS	\$45,602	\$ 155,020	\$ 170,304	\$30,318

(1) Included in revenues and expenditures are interfund transfers totaling \$5,729.

See auditor's report on pages 1-3.

CARLISLE COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN DUE TO
STUDENT GROUPS AND OTHERS
AGENCY FUNDS
CARLISLE MIDDLE AND ELEMENTARY SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Middle School	Elementary School	Totals
Due to student groups and others, July 1, 2014	\$30,842	\$32,531	\$ 63,373
Revenues:			
Student activities (1)	47,005	51,669	98,674
Expenditures:			
Student activities (1)	60,029	60,454	120,483
DUE TO STUDENT GROUPS AND OTHERS, JUNE 30, 2015	\$17,818	\$23,746	\$ 41,564

(1) Included in revenues and expenditures for the Middle and Elementary Schools are interfund transfers totaling \$3,383 and \$1,188, respectively.

See auditor's report on pages 1-3.

CARLISLE COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
DUE TO OTHERS
AGENCY FUND
FISCAL AGENT FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Fiscal Agent Fund
Due to others, July 1, 2014	<u>\$ -</u>
Revenues:	
Student activities	<u>13,000</u>
Expenditures:	
Student activities	<u>13,000</u>
DUE TO OTHERS, JUNE 30, 2015	<u><u>\$ -</u></u>

See auditor's report on pages 1-3.

CARLISLE COUNTY SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT DIFFERENCES
FOR THE YEAR ENDED JUNE 30, 2015

In its Annual Financial Report (AFR) required by the Kentucky Department of Education, the District has state on-behalf amounts included in total revenue from state sources in the District's AFR as specified by the Kentucky Department of Education. These funds are reported as intergovernmental revenues - on-behalf or state grants - on-behalf in the financial statements. The District also has child nutrition donated commodities included in the total revenue from federal sources in the District's AFR. These funds are recorded as federal grants - in-kind commodities in the financial statements. The following is a reconciliation of the receipts reported in the District's AFR with that shown in the financial statements.

General Fund

Revenue from state sources reported to the Department of Education	\$ 4,705,526
On-behalf/state sources	<u>(1,378,744)</u>
Amount per financial statements	<u><u>\$ 3,326,782</u></u>

Debt Service

Revenue from state sources reported to the Department of Education	\$ 254,594
On-behalf/state sources	<u>(254,594)</u>
Amount per financial statements	<u><u>\$ -</u></u>

Food Service

Revenue from state sources reported to the Department of Education	\$ 61,550
On-behalf/state sources	<u>(57,607)</u>
Amount per financial statements	<u><u>\$ 3,943</u></u>
Revenue from federal sources reported to the Department of Education	\$ 306,526
In-kind donated commodities	<u>(26,900)</u>
Amount per financial statements	<u><u>\$ 279,626</u></u>

CARLISLE COUNTY SCHOOL DISTRICT
SCHEDULE OF ACCOUNTS RECEIVABLE
JUNE 30, 2015

General Fund:

Accounts receivable reported in District's annual financial report to the State Department of Education, Division of Finance	\$13,630
Additional accounts receivable recorded subsequent to the annual financial report:	
Kentucky Department of Revenue - Utility Tax	<u>20,816</u>
TOTAL ACCOUNTS RECEIVABLE	<u><u>\$34,446</u></u>

See auditor's report on pages 1-3.

CARLISLE COUNTY SCHOOL DISTRICT
SCHEDULE OF INSURANCE COVERAGE
JUNE 30, 2015

	<u>Expires</u>	<u>Building</u>	<u>Contents</u>
Fire and Extended Coverage - 90% Co-Insurance:			
Carlisle County Middle School	July 1, 2015	\$ 8,836,425	\$1,120,537
Carlisle County Elementary School	July 1, 2015	7,475,380	797,117
Carlisle County High School	July 1, 2015	9,877,952	972,217
New kitchen/cafeteria building	July 1, 2015	3,611,888	400,000
Agriculture and Industrial building	July 1, 2015	1,828,554	241,818
Board office	July 1, 2015	375,518	76,885
Bus garage	July 1, 2015	443,688	-
Central storage building	July 1, 2015	446,250	35,921
Guard shack	July 1, 2015	5,753	-
Property in the open	July 1, 2015	452,317	-
TOTALS		<u><u>\$33,353,725</u></u>	<u><u>\$3,644,495</u></u>

		<u>Amount of Coverage</u> <u>Per Occurrence</u>
Collision, Comprehensive, and Property Damage:		
School buses and other vehicles:		
Property damage	July 1, 2015	\$2,000,000
Comprehensive		ACV
Uninsured motorists		500,000
Underinsured motorists		500,000
General Liability:		
Carlisle County School District, Superintendent and employees	July 1, 2015	1,000,000
Educators' legal liability (errors and omissions)	July 1, 2015	1,000,000
Employee benefits liability	July 1, 2015	1,000,000
Sexual misconduct and molestation liability	July 1, 2015	1,000,000
Workmen's compensation		Statutory
Performance bond	July 1, 2015	150,000
Crime Policy	July 1, 2015	100,000
Commercial umbrella liability	July 1, 2015	5,000,000
Depository Bond:		
Citizens Deposit Bank of Arlington	July 1, 2015	103% of Current Daily Balances

See auditor's report on pages 1-3.

**MEMBERS OF THE CARLISLE COUNTY BOARD OF EDUCATION
AS OF JUNE 30, 2015**

<u>Name</u>	<u>Address</u>	<u>Date Elected</u>	<u>Term Expires</u>
Brian Grogan, Chairman	284 CR 1202 Arlington, Kentucky	November 2012	January 2017
Kevin O'Neill, Vice-Chairman	P.O. Box 95 Bardwell, Kentucky	November 2012	January 2017
Steven Draper	489 CR 1127 Arlington, Kentucky	November 2014	January 2019
Tiffany Wildharber	P.O. Box 606 Bardwell, Kentucky	November 2012	January 2017
John Matt Fourshee	P.O. Box 562 Cunningham, Kentucky	November 2014	January 2019

Other Officials:

Jay Simmons, Superintendent

Rachel Bowles, Treasurer and Secretary of the Board

See auditor's report on pages 1-3.

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

	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>	<u>Totals</u>
U.S. Department of Education:				
Passed-through Kentucky Department of Education:				
		3810002 12	\$ 36	
		3810002 13	20,431	
Special Education - Grants to States (IDEA, Part B)	84.027	3810002 14	<u>138,857</u>	\$ 159,324
Special Education - Preschool Grants (IDEA Preschool)	84.173	3800002 14	<u>14,180</u>	<u>14,180</u>
Special Education Cluster Sub-Total				173,504
		3100002 13	45,483	
Title I Grants to Local Educational Agencies (LEAs)	84.010	3100002 14	<u>147,745</u>	193,228
Education Technology State Grants	84.318X	3121002 10	<u>332</u>	332
		3230002 13	1,393	
Improving Teacher Quality State Grants	84.367	3230002 14	<u>28,948</u>	30,341
	84.287	3400002 10	800	
Twenty-First Century Community Learning Centers	84.287	3400002 12	<u>21,073</u>	21,873
		3140002 12	191	
		3140002 13	8,546	
Rural Education	84.358	3140002 14	<u>916</u>	9,653
Passed-through West Kentucky Educational Cooperative:				
Career and Technical Education - Basic Grants to States	84.048	3710002 14	<u>2,386</u>	<u>2,386</u>
Total U.S. Department of Education				<u>431,317</u>
U.S. Department of Agriculture:				
Passed-through Kentucky Department of Agriculture:				
School Breakfast Program	10.553	7760005 14	20,249	
		7760005 15	<u>66,263</u>	86,512
		7750002 14	46,021	
National School Lunch Program	10.555	7750002 15	147,093	
National School Lunch Program - Non-monetary Food Distribution (1)	10.555	2015	<u>26,900</u>	<u>220,014</u>
Child Nutrition Cluster Sub-Total				306,526
Total U.S. Department of Agriculture				<u>306,526</u>
TOTAL FEDERAL AWARDS				<u><u>\$ 737,843</u></u>

See notes to the schedule of expenditures of federal awards on page 56.

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

- (1) Expense recognized is the total dollar value of commodities used during the year. Amounts are based on dollar values reported by the Kentucky Department of Agriculture. This amount is included in the combined statement of revenues, expenditures, and changes in net position.

Note 1 - Basis of Presentation:

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

Note 2 - Federal Awards Reconciliation:

In October 2012, the Carlisle County School District issued Qualified Zone Academy Revenue Bonds. The United States Treasury will pay the semi-annual interest on these bonds directly to the issuer or its designee paying agent and be applied only to the payment of interest due on the bonds or reimbursement to the issuer for such payment. Interest subsidy payments are reported as intergovernmental federal revenues and interest expense on the Statement of Revenues, Expenditures, and Changes in Fund Balances. However, they are not required to be reported on the Schedule of Expenditures of Federal Awards.

Federal revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance Governmental Funds	\$ 602,404
Federal grants as reported on the Statement of Revenues, Expenses, and Changes in Fund Net Position Proprietary Fund	279,626
Federal grants – in-kind commodities as reported on the Statement of Revenues, Expenses, and Changes in fund Net Position Proprietary Fund	<u>26,900</u>
Total federal expenditures	908,930
Less federal interest subsidy	<u>(171,087)</u>
TOTAL FEDERAL AWARDS	<u>\$ 737,843</u>

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Kentucky State Committee for
School District Audits
Members of the Board of Education
Carlisle County School District
Bardwell, Kentucky

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits including *Appendix I to the Independent Auditor's Contract – Audit Extension Request and Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Report, Audit Acceptance Statement and Statement of Certification*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Carlisle 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 Carlisle County School District's basic financial statements, and have issued our report thereon dated October 28, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Carlisle 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 Carlisle County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Carlisle 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 Carlisle County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations prescribed by the Kentucky State Committee for School District Audits in *the Independent Auditor's Contract*.

We noted certain matters that we reported to management of Carlisle County School District in a separate report letter dated October 28, 2015.

Purpose of this Report

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

Williams, Williams & Luty, LLP

Paducah, Kentucky
October 28, 2015

J. DAVID BAILEY, III
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Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

Kentucky State Committee for
Audits of School Districts
Members of the Board of Education
Carlisle County School District
Bardwell, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Carlisle 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 Carlisle County School District's major federal programs for the year ended June 30, 2015. Carlisle County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Carlisle County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the audit requirements prescribed by the Kentucky State Committee for School District Audits including *Appendix I to the Independent Auditor's Contract – Audit Extension Request*, and *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Report, Audit Acceptance Statement and Statement of Certification*. 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 Carlisle 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 Carlisle County School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Carlisle 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 Carlisle 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 Carlisle 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 Carlisle County School District's internal control over compliance.

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

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

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

Williams, Williams + Luty, LLP

Paducah, Kentucky
October 28, 2015

CARLISLE COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on the financial statements of the Carlisle County School District.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditor's Report.
3. No instances of noncompliance material to the financial statements of the Carlisle County School District which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditor's Report On Compliance for Each Major Program and On Internal Control Over Compliance Required by OMB Circular A-133.
5. The auditor's report on compliance for the major federal awards programs for the Carlisle County School District expresses an unmodified opinion on all major federal programs.
6. There are no audit findings required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs were:

<u>Name</u>	<u>CFDA</u>
National School Lunch Program	10.555
National School Lunch Program – Non-monetary Food Distribution	10.555
School Breakfast Program	10.553

8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. The Carlisle County School District was determined to be a low-risk auditee.

Findings - Financial Statements Audit

None

Findings and Questioned Costs - Major Federal Awards Programs Audit

None

CARLISLE COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2015

There are no prior year audit findings relative to federal awards to report.

CARLISLE COUNTY SCHOOL DISTRICT



MANAGEMENT LETTER
YEAR ENDED JUNE 30, 2015

J. DAVID BAILEY, III
C. SUZETTE CRONCH
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Carlisle County Board of Education
Bardwell, Kentucky

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Carlisle County School District as of and for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered Carlisle County School District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. We also noted immaterial instances of noncompliance with applicable laws and regulations which we are required to report to you. These comments and recommendations, most of which have been discussed with the appropriate members of management, are intended to help the District comply with applicable laws and regulations, improve the internal control, or result in other operational efficiencies. This letter does not affect our report dated October 28, 2015 on the financial statements of Carlisle County School District.

SEGREGATION OF DUTIES

Finding: As stated in prior years, the proper segregation of duties does not exist.

Criteria: This District is small and it is not feasible to hire additional staff necessary to provide the proper segregation of duties.

Cause: The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties.

Effect: Weaknesses in internal controls can create the possibility for the misappropriation of asset and/or fraudulent financial reporting.

Recommendation: Lack of proper segregation of duties dictates that the board continues to be involved in the financial affairs of the District to provide oversight and independent review functions. The Superintendent needs to continue to review journal entries in addition to the year-to-date budget reports received each month.

Management's Response: The Superintendent will continue to review journal entries as well as other reports.

SICK LEAVE

Finding: Sick leave cards are not being prepared every time a teacher takes a sick day. We selected three teachers to test sick leave. One of them used seventeen sick days and only had sick leave cards for four and a half of those days.

Criteria: Per board policy, completed and signed sick leave cards should be available for all sick days used.

Cause: This process is no longer necessary for internal controls due to sick leave being entered in AESOP. However, the board policy has not been changed.

Effect: Board policies are being circumvented.

Recommendation: We recommend following the board policy by enforcing the requirement to complete sick leave cards or change the policy so the cards are no longer required.

Management's Response: We plan to enforce the sick leave cards requirement for at least the 2015-2016 school year since we just purchased a supply of cards; however, we will review the policy and make a decision going forward.

ACTIVITY FUNDS

Carlisle County Elementary School

Finding: Purchases of equipment or operational items are expressly prohibited by the Red Book. This is a repeat comment from prior years.

Criteria: According to "Accounting Procedures for Kentucky School Activity Funds," (the Redbook), purchases of equipment, supplies, and materials with activity fund monies must be used within a student organization.

Cause: Breakdown in internal controls over disbursements.

Effect: Activity funds which are meant for the direct benefit of the students are being used for other purposes.

Recommendation: Teachers, sponsors, central fund treasurers, and the principal authorizing purchases should be familiar with the Redbook and the costs that are allowed under these rules.

Management's Response: One of the PO's was created before my audit last year. This purchase should have been made with SBDM or district funds instead. Another purchase was made using a \$10 classroom fee that was collected at registration time. These funds are now deposited in district activity.

All other prior year recommendations appear to have been properly addressed.

Carlisle County Middle School

Finding: Receipts for one deposit was not turned into the Treasurer and deposited in a timely manner.

Criteria: Deposits should be made daily. For after events outside the normal school day, receipts should be locked in a safe overnight and deposited the next school day. If the amount collected is less than \$100, the deposit should be made once \$100 has been collected or weekly whichever occurs first.

Cause: This is a break down in internal controls over receipts. Teachers/sponsors are not turning in collections on a daily basis. Deposits are not being made daily.

Effect: This could be a red flag to indicate funds are being misappropriated.

Recommendation: Collections should be turned into the Treasurer and receipted on a daily basis. Deposits should be made on a daily basis. There should not be more than one day between the time funds are collected and deposited into the bank unless less than \$100 is collected, in which case it should be locked in a secure location.

Management's Response: Collections will be receipted and deposited daily.

Finding: The LifeSkills account had no activity during fiscal year 2015, but is carrying a fund balance at June 30, 2015.

Criteria: According to "Accounting Procedures for Kentucky School Activity Funds," (the Redbook), an activity account will be considered inactive if there has been no activity during the preceding 12 months. If the student organization did not designate in writing how the unobligated remaining funds shall be disposed, then the funds shall be transferred to the school activity general account and used for the general benefit of all students.

Cause: There may be a lack of adequate training and knowledge with regard to the guidance governing school activity funds.

Effect: Funds meant to directly benefit the students are being used for other purposes or not being used at all.

Recommendation: An inactive student organization, club, or activity account may be closed at any time. The principal should be notified of the termination by the student organization's sponsor. The central fund treasurer and the principal should also review the activity of all student organization and transfer appropriate funds to the general account at the end of each period when an activity is recognized as being inactive.

Management's Response: All money raised will be spent during that school year. Inactive accounts will be closed.

Finding: During our disbursements testing, we identified one disbursement for which the individual receiving goods did not initial the packing slip/invoice.

Criteria: When goods are purchased and shipped to the District, the individual receiving the purchase must initial the packing slip or invoice to indicate all items purchased were received prior to paying the invoice.

Cause: Lack of initials on the packing slip/invoice is a weakness in internal controls.

Effect: The initials provide accountability and reassurance that the goods have been received and the invoice is ready for payment. This mitigates the risk of paying an invoice for items that were not received. It also mitigates the risk of unauthorized purchases through the District that may be shipped to another location.

Recommendation: Extra care should be used to make sure the proper internal control procedures are in place and being always followed.

Management's Response: We will be sure to follow proper internal control procedures in the future.

Finding: A purchase order was not prepared and appropriately approved prior to purchase being made on one disbursement selected for testing.

Criteria: According to the guidance governing school activity funds published by the Kentucky Department of Education, a purchase order must be completed for **all** purchases prior to making purchases. The purchase order should be dated and include the school name, the activity account, P.O. number, vendor name, a description and quantity of items to be purchased, and the estimated cost. This information should be completed by the teacher/sponsor requesting the purchase unless a purchase requisition is prepared by the teacher/sponsor and the CFT prepares the purchase order. It should be authorized by the teacher/sponsor for the activity account and approved by the Principal.

Cause: This was due to a break down in the internal controls over purchases.

Effect: Purchase orders act as an estimate of costs expected to be incurred and provide the codes to which the purchase should be posted. They also serve as an approval mechanism for management. Incomplete or missing purchase orders denote weakness in the internal controls. Missing or incomplete purchase orders could serve as a way to misappropriate funds.

Recommendation: The individual in charge of purchases should always make sure a signed purchase order is available prior to making purchases and all required information is included in the purchase order. The purchase order should include signatures of both the sponsor and Principal. The purchase order should be attached to the invoice and other supporting information. It is allowable to use an open purchase order for officials at athletic events. However, a copy of the purchase order should be attached to every disbursement to an official and the remaining purchase order balance should be reduced by the amount of the payment. Once the entire purchase order balance is paid, a new purchase order is required. If the actual cost is significantly different from the estimated cost on the approved purchase order, the purchase order should be changed and re-approved.

Management's Response: All purchase orders will be approved before a purchase is made.

All other prior year recommendations appear to have been properly addressed.

Carlisle County High School

Finding: A Combining Budget was available for fiscal year 2014-2015. However, it did not foot.

Criteria: According to "Accounting Procedures for Kentucky School Activity Funds," (the Redbook), each club, organization and activity account shall prepare a tentative budget for the next school year on the Individual Activity Account Budget Worksheet (Form F-SA-4A). Individual Activity Account Budget Worksheets are due to the principal by April 15. The sponsor shall work with the officers of the club in this process to assure continuity of programs. The principal or designee shall prepare budgets for activity accounts without sponsors for SBDM approval.

The principal shall prepare the Principal's Combining Budget (Form F-SA-3). The Combining Budget will list the summary budget information for each activity account in the school activity fund. The Combining Budget and the Individual Activity Account Budget Worksheets are due to the district finance officer by May 15. The district finance officer will work with the superintendent to submit all school budgets to the local board for approval by the end of May.

Cause: There may be a lack of adequate training and knowledge with regard to the guidance governing school activity funds.

Effect: The budget information in its current format is not effective for reviewing activity as a whole.
Recommendation: All school administration should be aware of the budget requirements included in the Redbook, making sure each student organization sponsor, teacher, and the principal are informed about their responsibilities regarding budget information and deadlines. We also recommend that beginning balances be adjusted from the original budget to agree to the prior year ending balance on the AFR to provide more accurate account balances. The budget should consist of separate columns for beginning balance, receipts, expenditures, and ending balance. Each column should be accurately totaled.

Management's Response: The Combining Budget for 2014-2015 was prepared by the previous bookkeeper. I have revised the formulas to make sure each column will total accurately. An Activity Account Budget Worksheet (Form F-SA-4A) will be completed for each club, organization and activity account. The Principal's Combining Budget (Form F-SA-3) will be completed and each column totaled accordingly. The forms will be submitted to the district finance office by May 15.

Finding: Improper reporting by the Booster Club to the district.

Criteria: According to "Accounting Procedures for Kentucky School Activity Funds," (the Redbook), each external support/booster organization must submit an annual External Support/Booster Organization Budget worksheet (Form F-SA-4B) to the principal within the first thirty days of the school year or within thirty days of the first transaction of the group. The budget shall contain, at a minimum, estimated revenues and expenditures by category.

Each external support/booster organization must submit an annual financial report for the fiscal year ending June 30 to the principal by July 15. The annual financial report shall contain, at a minimum, cash beginning balance, cash ending balance, and revenues and expenditures by category.

Cause: There may be a lack of adequate training and knowledge with regard to the guidance governing external support/booster organizations for schools.

Effect: The school may disassociate with any external support/booster organization that does not comply with the External Support/Booster Organization section of the Redbook.

Recommendation: Proper guidance should be given to external support/booster organizations about the Redbook requirements.

Management's Response: The Booster club has attended Redbook training on September 29 and is aware of their obligations.

All other prior year recommendations appear to have been properly addressed.

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We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. This communication is intended solely for the information and use of the Board, management, and others within the organization as deemed appropriate, and is not intended to be, and should not be, used by anyone other than these specified parties.

Williams, Williams + Luty, LLP

Paducah, Kentucky
October 28, 2015