

**CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION**

**BASIC FINANCIAL STATEMENTS  
SUPPLEMENTARY INFORMATION  
AND INDEPENDENT AUDITOR'S REPORT**

**YEAR ENDED JUNE 30, 2015**

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION  
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# RAISOR, ZAPP & WOODS, PSC

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### INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee For School District Audits  
Members of the Carroll County, Kentucky, Board of Education  
Carrollton, 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 Carroll County, Kentucky, Board of Education, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Board of Education'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 provisions of Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

#### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Carroll County, Kentucky, Board of Education, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Changes in Accounting Principle*

As described in Note 4.d. to the financial statements, in the year ended June 30, 2015, the Carroll County Board of Education adopted new accounting guidance, GASB Statement No. 68, *Accounting and Finance Reporting for Pensions – an Amendment of GASB Statement No. 27* and GASB Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB No. 68*. Our opinion is not modified with respect to this matter.

*Other Matters*

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-10, the budgetary comparison information on pages 45-48 and schedules of the district's proportionate share of the net pension liability - Kentucky Teachers' Retirement System, schedule of district contributions - Kentucky Teachers' Retirement System, schedule of the district's proportionate share of the net pension liability - County Employees Retirement System, and schedule of district contributions - County Employee Retirement System on pages 49-52 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 Carroll County Board of Education's basic financial statements. The combining non-major fund financial statements and other supplemental schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining non-major fund financial statements, other supplemental schedules listed in the table of contents 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 non-major fund financial statements, other supplemental schedules listed in the table of contents 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 20, 2015, on our consideration of the Carroll County Board of Education'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 Carroll County, Kentucky, Board of Education's internal control over financial reporting and compliance.

*Raisor, Zapp & Woods, PSC*

**RAISOR, ZAPP & WOODS, PSC**  
Certified Public Accountants  
Carrollton, Kentucky

October 20, 2015

**CARROLL COUNTY PUBLIC SCHOOL DISTRICT – CARROLLTON, KENTUCKY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2015**

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

The Management Discussion & Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, issued June 1999; GASB Statement No. 37, Basic Financial Statement – and Management’s Discussion and Analysis – for State and Local Governments; Omnibus, an amendment to GASB Statements No. 21 and No. 34, issued June 2001 and in GASB No. 38, Certain Financial Statement Note Disclosures, Issued in 2001. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

## **FINANCIAL HIGHLIGHTS**

- The ending cash balance for the District was \$10,087,083 in 2015 and \$13,235,622 in 2014. This represents a decrease of \$3,148,539. This is the result of the district paying expenses related to two construction projects, one at Carroll County Middle School and the other at Carroll County High School.
- Our management strategies included conservative estimation of revenues. This was based on historical revenues received as compared to budget.
- The District ordered two buses during the 2015 fiscal year. As of June 30, 2015, the two buses have not been received by the District. Therefore, they will not be expensed in Fiscal 2015 and an encumbrance of \$209,920 was carried over into Fiscal Year 2016. Additionally, the district did pay \$214,713 in September 2015 for two school buses ordered in Fiscal Year 2014 that were received in Fiscal Year 2015. It is important to note that the school buses were budgeted for and will be purchased with cash and not through the Kentucky Interlocal School Transportation Association (KISTA).
- General fund interest income was \$849. This represents a decrease of \$1,195 from the previous year. A new agreement with U.S. Bank was effective July 1, 2014 and saved the district an estimated \$10,000.
- During fiscal year 2015, utility tax revenue was \$3,656,352. This represents a 34% increase as compared to the previous year. This is primarily the result of a larger than anticipated tax revenue from local manufacturing companies. Utility tax revenue is expected to be at an estimated \$3,000,000 in Fiscal 2016.
- Excluding on-behalf payments, the General Fund had \$16,033,293 in revenue and other financing sources, which primarily consisted of SEEK, property, utilities, and motor vehicle taxes. Excluding on-behalf payments and transfers, General Fund expenditures totaled \$14,739,523.
- During fiscal year 2015, the District recorded in its financial statements certain payments made by the State of Kentucky on behalf of the employees of the District, such as retirement plan match and insurance payments. These on-behalf payments totaled approximately \$3,865,393 including general fund, school food service and debt service.
- During fiscal year 2015, the district paid Lenovo \$347,435 for 560 Thinkpad Yoga 11E tablet computers for every student at Carroll County High School.
- During fiscal year 2015, the Carroll County Middle School construction project was in process with an overall estimated cost of \$8,923,996. This project was funded with a blend of general fund cash and bond proceeds.
- During fiscal year 2015, the Carroll County High School athletic complex project began with an estimated completion date in September 2015. The total estimated cost for the athletic complex was \$3,438,718 and was funded with general fund cash.
- During fiscal year 2015, Carroll County Public Schools received a \$250,000 Regional Collaborative Career Academy grant that will be used to start an ILEAD academy for students in Carroll County and 4 other surrounding districts.
- During Fiscal year 2015, the School District Finance Corporation approved a refunding of the 2010 Bond Issue. The Principal issuance amount was \$5,760,000.

## **OVERVIEW OF FINANCIAL STATEMENTS**

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

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

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

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

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

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

The government-wide financial statements can be found on pages 11-13 of this report.

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

The basic governmental fund financial statements can be found on pages 14-21 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23-44 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$22,524,558 as of June 30, 2015.

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

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

**Net Position for the period ending June 30, 2015 and 2014**

	Governmental Activities		Business-type Activities		Total District	
	2015	2014	2015	2014	2015	2014
Current Assets	\$ 12,108,220	\$ 15,122,241	\$ 61,801	\$ 116,908	\$ 12,170,021	\$ 15,239,149
Noncurrent Assets-Capital Assets, less Accumulated Depreciation	30,569,308	25,612,363	233,628	251,542	30,802,936	25,863,905
<b>Total Assets</b>	<b>\$ 42,677,528</b>	<b>\$ 40,734,604</b>	<b>\$ 295,429</b>	<b>\$ 368,450</b>	<b>\$ 42,972,957</b>	<b>\$ 41,103,054</b>
Deferred Outflows of Resources	\$ 590,108	\$ 607,196	\$ 73,427	\$ 75,554	\$ 663,535	\$ 682,750
Current Liabilities	\$ 3,197,770	\$ 2,049,107	\$ 483	\$ 7,075	\$ 3,198,253	\$ 2,056,182
Noncurrent Liabilities	16,777,094	18,353,716	565,587	659,068	17,342,681	19,012,784
<b>Total Liabilities</b>	<b>\$ 19,974,864</b>	<b>\$ 20,402,823</b>	<b>\$ 566,070</b>	<b>\$ 666,143</b>	<b>\$ 20,540,934</b>	<b>\$ 21,068,966</b>
Deferred Inflows of Resources	\$ 507,813	\$ -	\$ 63,187	\$ -	\$ 571,000	\$ -
<b>Net Position</b>						
Net Investment in Capital Assets	\$ 17,699,363	\$ 15,601,683	\$ 233,628	\$ 251,542	\$ 17,932,991	\$ 15,853,225
Restricted	6,423,107	4,612,229	-	-	6,423,107	4,612,229
Unrestricted (deficit)	(1,337,511)	725,065	(494,029)	(473,681)	(1,831,540)	251,384
<b>Total Net Position</b>	<b>\$ 22,784,959</b>	<b>\$ 20,938,977</b>	<b>\$ (260,401)</b>	<b>\$ (222,139)</b>	<b>\$ 22,524,558</b>	<b>\$ 20,716,838</b>

\*Balances as of June 30, 2014 have been restated to reflect the implementation of GASB 68 and GASB 71.

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

**Changes in Net Position for the periods ending June 30, 2015 and 2014**

	Governmental Activities		Business-type Activities		Total District	
	2015	2014	2015	2014	2015	2014
<b>REVENUES</b>						
Program Revenues:						
Charges for Services	\$ 306,827	\$ 46,343	\$ 235,602	\$ 299,414	\$ 542,429	\$ 345,757
Federal & State Grants & Contributions	8,110,373	7,670,372	975,006	1,068,093	9,085,379	8,738,465
General Revenues:						
Property Taxes	3,822,053	3,727,728	-	-	3,822,053	3,727,728
Other Taxes	3,981,171	2,968,488	-	-	3,981,171	2,968,488
Revenue in Lieu of Tax	1,297,817	1,362,713	-	-	1,297,817	1,362,713
State Aid Formula Grants	7,652,236	7,504,330	-	-	7,652,236	7,504,330
Other General Revenues	1,488	2,712	4	6	1,492	2,718
Gain/Loss on Sale of Assets	72,706	-	-	-	72,706	-
Total Revenue	\$ 25,244,671	\$ 23,282,686	\$ 1,210,612	\$ 1,367,513	\$ 26,455,283	\$ 24,650,199
<b>EXPENSES</b>						
Program Expenses:						
Instruction	\$ 14,206,189	\$ 13,464,377	\$ -	\$ -	\$ 14,206,189	\$ 13,464,377
Support Services:						
Student	932,515	906,602	-	-	932,515	906,602
Instructional Staff	1,753,818	1,548,596	-	-	1,753,818	1,548,596
District Administration	691,015	602,333	-	-	691,015	602,333
School Administration	1,421,191	1,450,606	-	-	1,421,191	1,450,606
Business Support Service	637,827	647,738	-	-	637,827	647,738
Plant Operation & Maintenance	1,801,300	1,915,519	-	-	1,801,300	1,915,519
Student Transportation	1,186,689	1,288,566	-	-	1,186,689	1,288,566
Other Instructional	-	2,505	-	-	-	2,505
Food Service Operation	43,497	46,854	1,248,874	1,354,564	1,292,371	1,401,418
Community Service	188,600	184,144	-	-	188,600	184,144
Other - Consortium Expenses	-	114,865	-	-	-	114,865
Interest on Long-Term Debt	536,048	561,488	-	-	536,048	561,488
Total Expenses	\$ 23,398,689	\$ 22,734,193	\$ 1,248,874	\$ 1,354,564	\$ 24,647,563	\$ 24,088,757
Increase (Decrease) in Net Position	\$ 1,845,982	\$ 548,493	\$ (38,262)	\$ 12,949	\$ 1,807,720	\$ 561,442
Net Position-July 1 (As restated)*	20,938,977	20,390,484	(222,139)	(235,088)	20,716,838	20,155,396
Net Position-June 30	\$ 22,784,959	\$ 20,938,977	\$ (260,401)	\$ (222,139)	\$ 22,524,558	\$ 20,716,838

Net Position as of June 30, 2014 has been restated to reflect the adoption of GASB 68 and GASB 71 for the net pension liability associated with employee pensions.

**Comments on Budget Comparisons**

- Revenues and expenditures associated with on-behalf payments made by the state of Kentucky for Teacher Retirement, Fringe Benefits and Network Services are not budgeted. Transfers committed at June 30, 2014 for future construction projects were not budgeted.
- Revenues: General Fund revenues and other financing sources were \$16,104,791 for the fiscal year ended June 30, 2015, excluding on-behalf revenue.
- Expenses: General Fund expenses, including fund transfers, were \$18,219,141 for the fiscal year ended June 30, 2015, excluding on-behalf payments.
- Revenue exceeded expenses by \$1,365,268 in fiscal year 2015.

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

The following table presents a summary of revenue and expenditures, including other financing sources and uses for the General Fund for the fiscal years ended June 30, 2015 and 2014.

	2015	2014
<b>REVENUES AND OTHER FINANCING SOURCES:</b>		
Local Revenue Sources	\$ 8,739,085	\$ 7,704,822
State Revenue Sources	7,157,056	7,054,154
Investments	849	2,044
Other Sources	87,740	47,343
Insurance Recoveries/Sale of Equipment	71,498	196,836
State On-Behalf Payments	3,267,441	2,955,974
Intergovernmental - Federal	48,563	20,062
<b>Total Revenues</b>	\$ 19,372,232	\$ 17,981,235
<b>EXPENDITURES AND OTHER FINANCING USES:</b>		
Instruction	\$ 9,805,791	\$ 9,121,003
Student Support Services	800,655	763,135
Instructional Support	1,421,070	1,262,631
District Administration	686,384	627,342
School Administration	1,439,048	1,448,946
Business Support	610,408	606,953
Plant Operation	1,689,073	1,817,384
Student Transportation	973,172	1,048,180
Other Instructional	792	2,505
Food Service Operation	5,465	5,782
Debt Service	43,763	114,877
Facilities Acquisition & Construction	531,343	221,664
Fund Transfers (net)	3,479,618	3,227,388
<b>Total Expenditures</b>	\$ 21,486,582	\$ 20,267,790
Revenues and other Financing Sources in Excess (Deficit) of Expenditures and other Financing Uses	\$ (2,114,350)	\$ (2,286,555)

**BUDGETARY IMPLICATIONS**

In Kentucky the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the District overall budget. By law the budget must have a minimum 2% contingency. The District adopted a budget with \$2,035,143 in contingency (9%). The general fund unassigned beginning balance for fiscal year 2015 is \$3,077,746.

Carroll County Public Schools received a federal grant titled Title I Assistance, which was originally awarded for the period July 1, 2014 through September 30, 2016. This grant was awarded in the amount of \$667,056. The impact involved both elementary schools and their associated staff.

Carroll County Public Schools received a federal grant titled Early Head Start, which was originally awarded for the period August 1, 2014 through July 31, 2015 in the amount of \$1,125,766. The grant supports the Early Head Start program.

Carroll County Public Schools received a federal grant titled Title VI, Part B – Rural and Low Income Schools (RLIS). This grant was originally awarded for the period of July 1, 2014 through September 30, 2016 in the amount of \$39,674. The impact involved both middle and high schools and their associated staff.

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

Carroll County Public Schools received a federal grant titled Head Start Assistance, which was originally awarded for the period August 1, 2014 through July 31, 2015. This grant was awarded in the amount of \$699,918. Its impact involved the Head Start Program and the associated staff. This grant also helped fund part of the Head Start Director's position.

Carroll County Public Schools received a federal grant titled Title II Teacher Quality Assistance, which was originally awarded for the period July 1, 2014 through September 30, 2016. This grant was awarded in the amount of \$97,879. Its impact involved two staff positions at Kathryn Winn Elementary.

Carroll County Public Schools received a federal grant titled IDEA Basic Assistance, which was originally awarded for the period July 1, 2014 through September 30, 2016. This grant was awarded in the amount of \$368,922. Its impact involved special educational services for both elementary schools and the middle and high schools and their associated staff. This grant also helped fund the Director of Special Education and the School Psychologist.

Carroll County Public Schools received a federal grant titled IDEA Basic Preschool, which was originally awarded for the period of July 1, 2014 through September 30, 2016. The grant was awarded in the amount of \$20,879.

Carroll County Public Schools received a federal grant titled Title III Assistance, which was originally awarded for the period July 1, 2014 through September 30, 2016. This grant was awarded in the amount of \$15,856. Its impact involved all schools with an emphasis on students with limited English proficiency. The program also employed one assistant.

Carroll County Public Schools received a federal grant titled Title I, Part C, Vocational Ed Basic Grant Assistance, which was originally awarded for the period July 1, 2014 through June 30, 2015. This grant was awarded in the amount of \$11,173. Its impact involved the high school and their associated staff.

Carroll County Public Schools received a federal grant titled Champions for a Drug Free Carroll County, which was originally awarded for the period of September 30, 2014 through September 29, 2015. This grant was awarded in the amount of \$125,000. This grant funds (1) Coordinator and (1) Assistant Coordinator position. The grant objectives are to establish and strengthen collaboration among communities and reduce substance abuse among youth and, over time, among adults.

Carroll County Public Schools received a federal grant titled Race to the Top, which was originally awarded for the period of July 1, 2014 through December 30, 2015. The grant was awarded in the amount of \$19,460 and the grant objectives include advancing reforms in four designated areas.

Carroll County Public Schools received a federal grant titled 21<sup>st</sup> Century Community Learning Centers, which was originally awarded for the period of August 13, 2014 through September 30, 2015. The grant was awarded in the amount of \$150,000. It provides after school programs for students in Kindergarten through 3<sup>rd</sup> grade.

Carroll County Public Schools received a federal grant titled 21<sup>st</sup> Century Community Learning Centers, which was originally awarded for the period of February 15, 2014 through September 30, 2015. The grant was awarded in the amount of \$75,000. It provides after school programs for students in 4<sup>th</sup> grade through 8<sup>th</sup> grade.

Carroll County Public Schools received a federal grant titled 21<sup>st</sup> Century Community Learning Centers Summer Learning, which was originally awarded for the period of June 1, 2015 through September 30, 2015. The grant was awarded in the amount of \$10,000. It provides summer school programs for Kindergarten through 8<sup>th</sup> grade students.

Carroll County Public Schools received a federal grant titled 21<sup>st</sup> Century Community Learning Centers Supplemental funds for a Multi-State Conference, which was originally awarded for the period of July 1, 2015 through September 30, 2015. The grant was awarded in the amount of \$2,000. It provides after school programs for students in Kindergarten through 8<sup>th</sup> grade.

#### **LOCAL INFORMATION**

Carroll County has an estimated 10,900 residents per the 2012 census. Carrollton is the county seat of Carroll County and was established in 1838. It is bordered on the west by the Kentucky River and the north by the Ohio River. The city has a Mayor/Council form of government.

#### **CONTACTING THE CARROLL COUNTY SCHOOL DISTRICT MANAGEMENT**

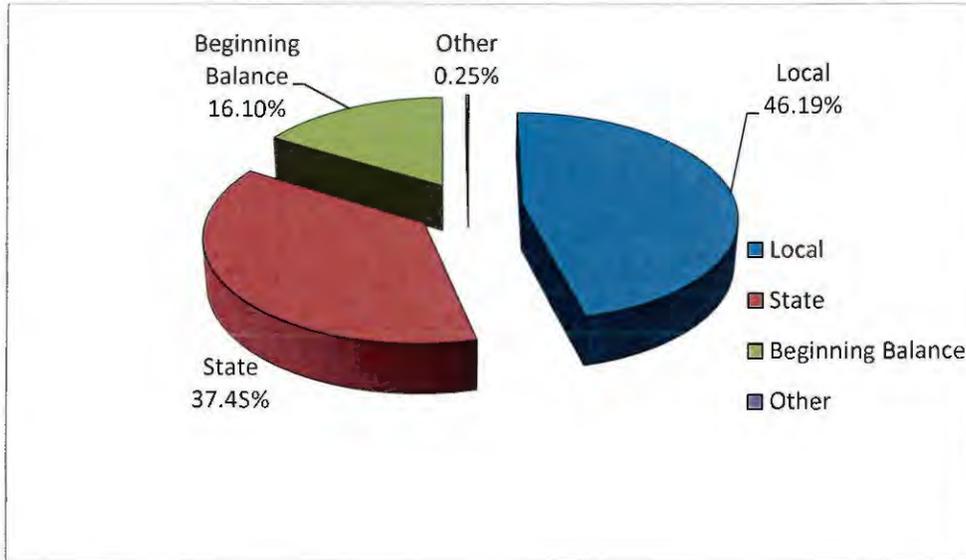
Questions regarding this report should be directed to the Mr. William Hogan, Superintendent or Mr. Jon Conrad, Chief Financial Officer, by phone (502) 732-7070 or by mail at 813 Hawkins Street, Carrollton, Kentucky 41008.

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

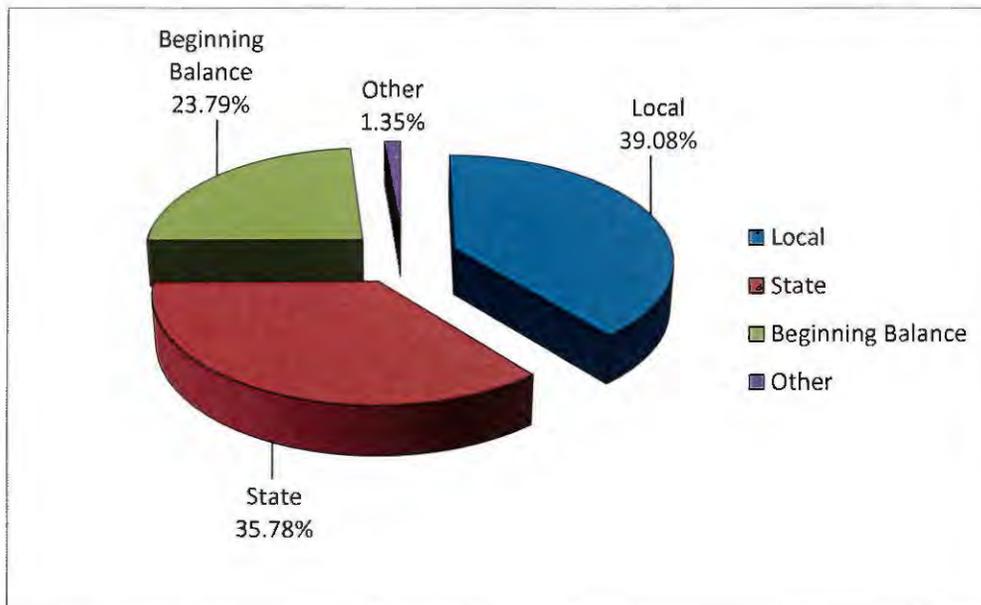
**General Fund Revenue (Chart 1)**

General Fund revenue sources are graphically displayed below. Note that the beginning balance is 16.10% of revenue in 2015 compared to 23.79% of revenue in 2014.

**2015 General Fund Revenue**



**2014 General Fund Revenue**

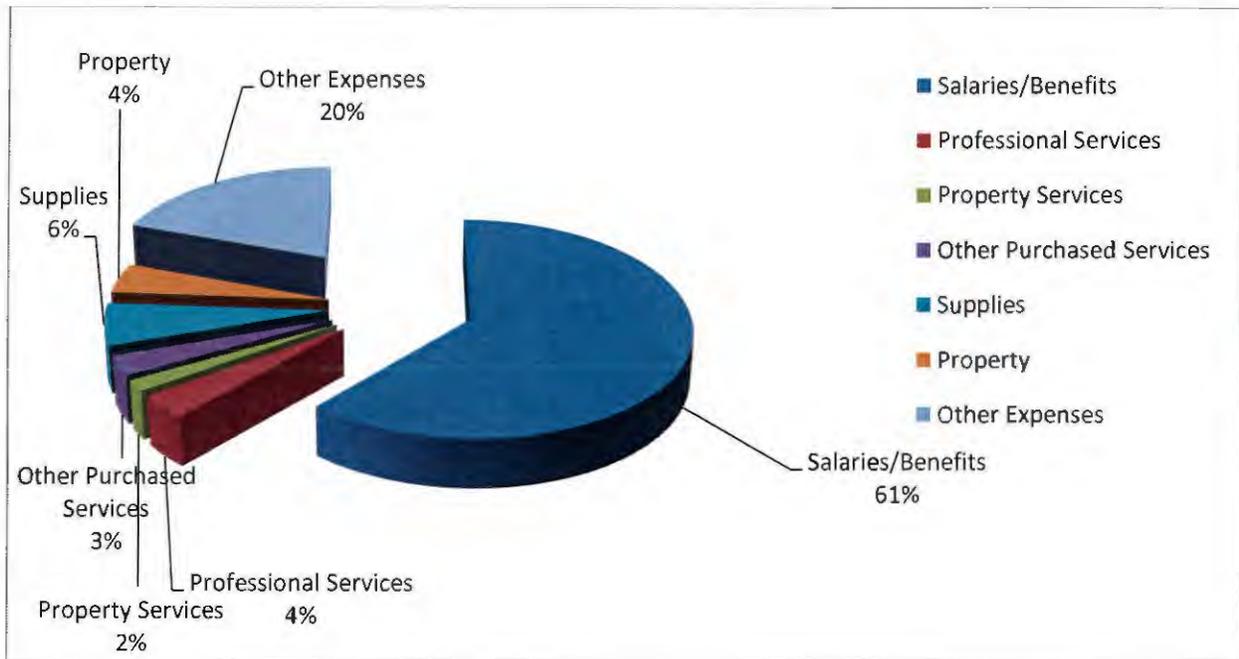


**CARROLL COUNTY PUBLIC SCHOOL DISTRICT – CARROLLTON, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2015**

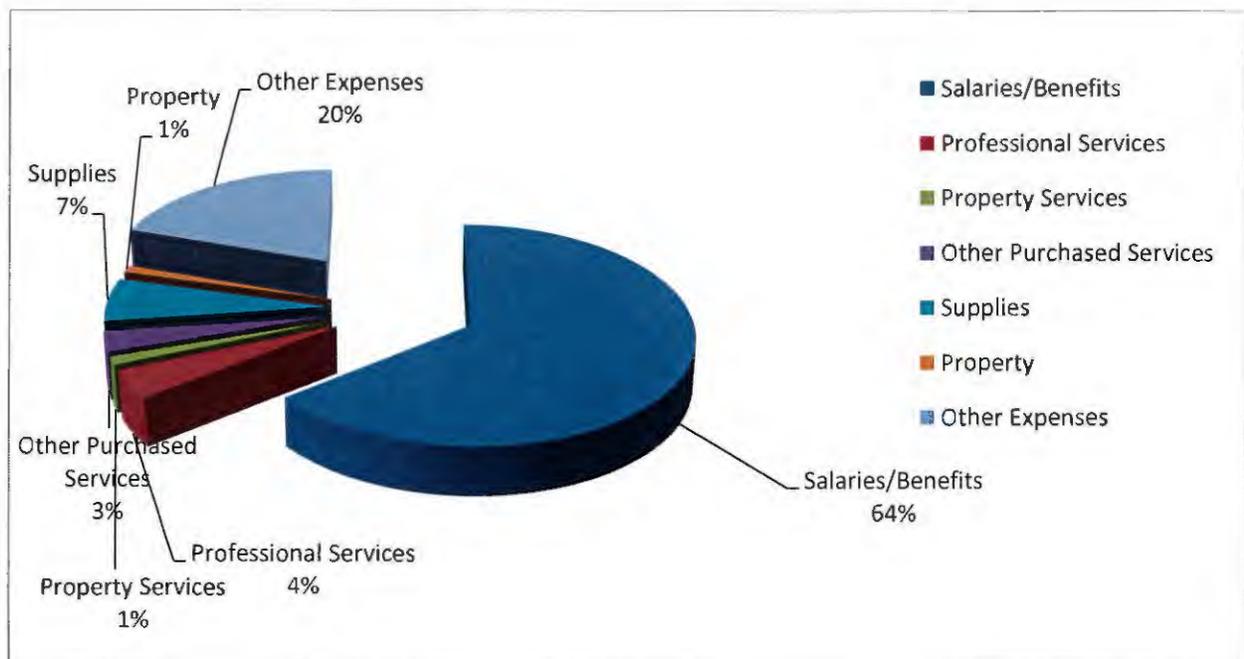
**Expense Allocation by Type (Chart 2)**

A graphical representation of expenses by type is illustrated for 2015 and 2014.

**2015 General Fund Expenses by Type**



**2014 General Fund Expenses by Type**

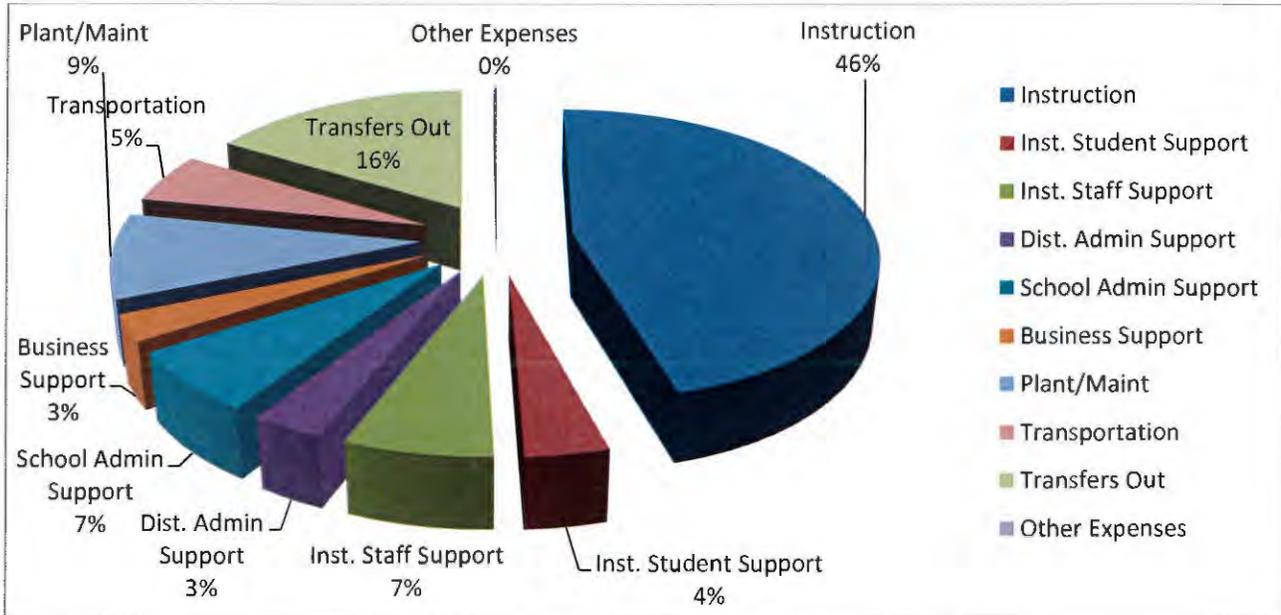


**CARROLL COUNTY PUBLIC SCHOOL DISTRICT – CARROLLTON, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2015**

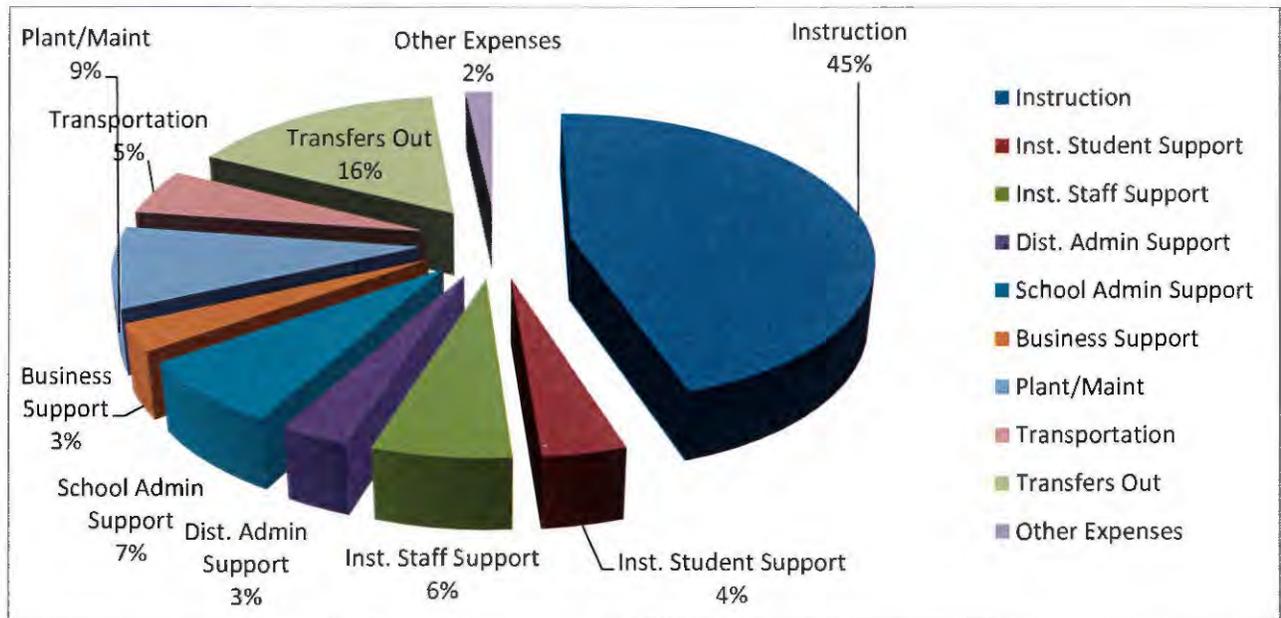
**Expense Allocation by Function (Chart 3)**

A graphical representation of expenses by function is illustrated for 2015 and 2014.

**2015 General Fund Expenses by Function**



**2014 General Fund Expenses by Function**



CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION  
STATEMENT OF NET POSITION  
June 30, 2015

	Governmental Funds	Business-type Activities	Total
<b>ASSETS:</b>			
<b>CURRENT ASSETS</b>			
Cash & Cash Equivalents	\$ 10,378,210	\$ 29,842	\$ 10,408,052
Taxes Receivable	67,527	-	67,527
Due from Other Governments			
State	3,144	-	3,144
Federal	772,284	-	772,284
Accounts Receivable	555,011	2,127	557,138
Inventories	-	29,832	29,832
Prepaid Expense	332,044	-	332,044
	<b>\$ 12,108,220</b>	<b>\$ 61,801</b>	<b>\$ 12,170,021</b>
<b>NONCURRENT ASSETS</b>			
Capital Assets, Net of			
Accumulated Depreciation	\$ 30,569,308	\$ 233,628	\$ 30,802,936
	<b>\$ 30,569,308</b>	<b>\$ 233,628</b>	<b>\$ 30,802,936</b>
	<b>\$ 42,677,528</b>	<b>\$ 295,429</b>	<b>\$ 42,972,957</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Employer Pension Contributions Made			
Subsequent to Measurement Date	\$ 590,108	\$ 73,427	\$ 663,535
<b>LIABILITIES:</b>			
<b>CURRENT LIABILITIES</b>			
Bank Overdraft	\$ 320,969	\$ -	\$ 320,969
Accounts Payable	115,397	483	115,880
Accounts Payable - Construction	863,936	-	863,936
Advances from Other Governments	427,950	-	427,950
Accrued Compensated Absences	39,752	-	39,752
Accrued Interest	90,601	-	90,601
Retainage Payable	455,093	-	455,093
Current Portion of Long-term Debt	884,072	-	884,072
	<b>\$ 3,197,770</b>	<b>\$ 483</b>	<b>\$ 3,198,253</b>
<b>NONCURRENT LIABILITIES</b>			
Accrued Compensated Absences	\$ 159,006	\$ -	\$ 159,006
Obligations Under Capital Leases	12,000,340	-	12,000,340
Assessment Payable - KSBIT	72,335	-	72,335
Net Pension Liability	4,545,413	565,587	5,111,000
	<b>\$ 16,777,094</b>	<b>\$ 565,587</b>	<b>\$ 17,342,681</b>
	<b>\$ 19,974,864</b>	<b>\$ 566,070</b>	<b>\$ 20,540,934</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Net Pension Liability - Difference Between			
Projected and Actual Earnings	\$ 507,813	\$ 63,187	\$ 571,000
<b>NET POSITION:</b>			
Net Investment in Capital Assets	\$ 17,699,363	\$ 233,628	\$ 17,932,991
Restricted for:			
Capital Expenditures/Debt Service	6,423,107	-	6,423,107
Unrestricted (Deficit)	(1,337,511)	(494,029)	(1,831,540)
	<b>\$ 22,784,959</b>	<b>\$ (260,401)</b>	<b>\$ 22,524,558</b>

**CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2015**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions
<b>GOVERNMENTAL ACTIVITIES:</b>				
Instruction	\$ 14,206,189	\$ 306,827	\$ 5,711,153	\$ -
Support Services:				
Student	932,515	-	248,331	-
Instructional Staff	1,753,818	-	395,011	-
District Administration	691,015	-	69,835	-
School Administration	1,421,191	-	279,659	-
Business Support Service	637,827	-	187,595	-
Plant Operation & Management	1,801,300	-	233,184	-
Student Transportation	1,186,689	-	185,136	-
Food Service Operation	43,497	-	41,864	-
Community Service	188,600	-	188,190	-
Interest & Fiscal Charges on Long-Term Debt	536,048	-	-	570,415
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 23,398,689</b>	<b>\$ 306,827</b>	<b>\$ 7,539,958</b>	<b>\$ 570,415</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>				
School Food Service	\$ 1,248,874	\$ 235,602	\$ 975,006	\$ -
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>\$ 1,248,874</b>	<b>\$ 235,602</b>	<b>\$ 975,006</b>	<b>\$ -</b>
<b>TOTAL</b>	<b>\$ 24,647,563</b>	<b>\$ 542,429</b>	<b>\$ 8,514,964</b>	<b>\$ 570,415</b>

General Revenues:

Taxes:

Property Taxes

Motor Vehicle Taxes

Utility Taxes

Revenue in Lieu of Tax

Investment Earnings

Intergovernmental Revenues and

State Aid Formula Grants

Gain or Loss on Asset Dispositions

Total General Revenues

Change in Net Position

Net Position - July 1 (As Restated)

Net Position - June 30

Net (Expense) Revenue and  
Changes in Net Position

Governmental Activities	Business- type Activities	Total
\$ (8,188,209)	\$ -	\$ (8,188,209)
(684,184)	-	(684,184)
(1,358,807)	-	(1,358,807)
(621,180)	-	(621,180)
(1,141,532)	-	(1,141,532)
(450,232)	-	(450,232)
(1,568,116)	-	(1,568,116)
(1,001,553)	-	(1,001,553)
(1,633)	-	(1,633)
(410)	-	(410)
<u>34,367</u>	<u>-</u>	<u>34,367</u>
<u>\$ (14,981,489)</u>	<u>\$ -</u>	<u>\$ (14,981,489)</u>
\$ -	\$ (38,266)	\$ (38,266)
\$ -	\$ (38,266)	\$ (38,266)
<u>\$ (14,981,489)</u>	<u>\$ (38,266)</u>	<u>\$ (15,019,755)</u>
\$ 3,822,053	\$ -	\$ 3,822,053
324,819	-	324,819
3,656,352	-	3,656,352
1,297,817	-	1,297,817
1,488	4	1,492
7,652,236	-	7,652,236
72,706	-	72,706
<u>\$ 16,827,471</u>	<u>\$ 4</u>	<u>\$ 16,827,475</u>
<u>\$ 1,845,982</u>	<u>\$ (38,262)</u>	<u>\$ 1,807,720</u>
20,938,977	(222,139)	20,716,838
<u>\$ 22,784,959</u>	<u>\$ (260,401)</u>	<u>\$ 22,524,558</u>

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2015

	General Fund	Special Revenue (Grant) Funds	Construction Fund	Debt Service Fund	Other Non-major Governmental Funds	Total
<b>ASSETS:</b>						
Cash and Cash Equivalents	\$ 2,986,704	\$ -	\$ 6,929,553	\$ -	\$ 461,953	\$ 10,378,210
Accounts Receivable						
Taxes - Current	24,802	-	-	-	-	24,802
Taxes - Delinquent/Omitted	42,725	-	-	-	-	42,725
Other	531,641	-	-	-	-	531,641
Intergovernmental - State	2,386	758	-	-	-	3,144
Intergovernmental - Federal	-	772,284	-	-	-	772,284
Prepaid Expense	332,044	-	-	-	-	332,044
<b>TOTAL ASSETS</b>	<b>\$ 3,920,302</b>	<b>\$ 773,042</b>	<b>\$ 6,929,553</b>	<b>\$ -</b>	<b>\$ 461,953</b>	<b>\$ 12,084,850</b>
<b>LIABILITIES AND FUND BALANCES:</b>						
<b>LIABILITIES</b>						
Bank Overdraft	\$ -	\$ 320,969	\$ -	\$ -	\$ -	\$ 320,969
Accounts Payable	91,170	24,123	863,936	-	104	979,333
Advances from Other Governments	-	427,950	-	-	-	427,950
<b>TOTAL LIABILITIES</b>	<b>\$ 91,170</b>	<b>\$ 773,042</b>	<b>\$ 863,936</b>	<b>\$ -</b>	<b>\$ 104</b>	<b>\$ 1,728,252</b>
<b>FUND BALANCES</b>						
Nonspendable	\$ 332,044	\$ -	\$ -	\$ -	\$ -	\$ 332,044
Restricted for:						
KSFCC Escrow	-	-	-	-	357,490	357,490
Capital Projects/Debt Service	-	-	6,065,617	-	-	6,065,617
Committed for:						
Outstanding Purchase Orders	32,000	-	-	-	-	32,000
Sick Leave	84,500	-	-	-	-	84,500
Assigned:						
Outstanding Purchase Orders	479,508	-	-	-	-	479,508
School Activity Funds	-	-	-	-	104,359	104,359
Unassigned	2,901,080	-	-	-	-	2,901,080
<b>TOTAL FUND BALANCES</b>	<b>\$ 3,829,132</b>	<b>\$ -</b>	<b>\$ 6,065,617</b>	<b>\$ -</b>	<b>\$ 461,849</b>	<b>\$ 10,356,598</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,920,302</b>	<b>\$ 773,042</b>	<b>\$ 6,929,553</b>	<b>\$ -</b>	<b>\$ 461,953</b>	<b>\$ 12,084,850</b>

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET POSITION  
 June 30, 2015

Total Governmental Fund Balances		\$ 10,356,598
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the net fixed assets is \$50,072,157 and the accumulated depreciation is \$19,502,849.		30,569,308
Revenues that do not provide current financial resources are not reported as revenues in the funds. Amounts due on such revenues but not received subsequent to year end within 60 days have been reported as receivable in the Statement of Net Position.		23,370
Deferred Outflows of Resources: Employer Pension Contributions Made Subsequent to the Measurement Date		590,108
Construction costs that have been incurred prior to year end but will not be paid within 60 days have been reported as payable in the Statement of Net Position.		(455,093)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Capital leases payable	\$ 12,869,945	
Accrued interest on capital leases	90,601	
Compensated absences	198,758	
Assessment Payable - KSBIT	86,802	
Net Pension Liability	4,545,413	(17,791,519)
Deferred Inflows of Resources Net Pension Liability - Difference between projected and actual earnings		(507,813)
Net Position of Governmental Activities		\$ 22,784,959

**CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For the Year Ended June 30, 2015

	General Fund	Special Revenue (Grant) Funds	Construction Fund	Debt Service Fund	Other Non-major Governmental Funds	Totals
<b>REVENUES:</b>						
From Local Sources:						
Taxes:						
Property	\$ 3,460,097	\$ -	\$ -	\$ -	\$ 361,956	\$ 3,822,053
Motor Vehicle	324,819	-	-	-	-	324,819
Utilities	3,656,352	-	-	-	-	3,656,352
Revenue In Lieu of Tax	1,297,817	-	-	-	-	1,297,817
Earnings on Investments	849	-	511	-	28	1,488
Other Local Revenues	87,740	103,577	-	-	195,717	387,034
Intergovernmental - State	7,157,056	600,846	-	-	446,617	8,204,519
Intergovernmental - Direct Federal - Build America Bonds	-	-	-	44,928	-	44,928
Intergovernmental - Direct Federal - Other	48,563	1,967,250	-	-	-	2,015,813
Intergovernmental - Indirect Federal	-	1,600,844	-	-	-	1,600,844
Intergovernmental - State On Behalf Payments	3,267,441	-	-	525,487	-	3,792,928
<b>TOTAL REVENUES</b>	<b>\$ 19,300,734</b>	<b>\$ 4,272,517</b>	<b>\$ 611</b>	<b>\$ 570,415</b>	<b>\$ 1,004,318</b>	<b>\$ 25,148,595</b>
<b>EXPENDITURES:</b>						
Current:						
Instruction	\$ 9,805,791	\$ 3,436,829	\$ -	\$ -	\$ 80,117	\$ 13,322,737
Support Services						
Student	800,655	129,800	-	-	-	930,455
Instructional Staff	1,421,070	180,450	-	-	11,241	1,612,761
District Administration	686,384	-	-	-	-	686,384
School Administration	1,439,048	-	-	-	-	1,439,048
Business Support Services	610,408	38,862	-	-	-	649,270
Plant Operations & Maintenance	1,689,073	92,403	-	-	-	1,781,476
Student Transportation	973,172	99,092	-	-	-	1,072,264
Other Instructional	792	-	-	-	-	792
Food Service Operation	5,465	41,864	-	-	-	47,329
Community Service	-	188,190	-	-	-	188,190
Facilities Acquisition & Construction	531,343	105,926	5,369,468	-	-	6,006,737
Debt Service						
Principal Retirement	40,735	-	-	6,370,000	-	6,410,735
Interest and Fiscal Charges	3,028	-	-	538,000	-	541,028
<b>TOTAL EXPENDITURES</b>	<b>\$ 18,006,964</b>	<b>\$ 4,313,416</b>	<b>\$ 5,369,468</b>	<b>\$ 6,908,000</b>	<b>\$ 91,358</b>	<b>\$ 34,689,206</b>
<b>Excess (Deficit) of Revenues over Expenditures</b>	<b>\$ 1,293,770</b>	<b>\$ (40,899)</b>	<b>\$ (5,368,857)</b>	<b>\$ (6,337,585)</b>	<b>\$ 912,960</b>	<b>\$ (9,540,611)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Bond Issue Proceeds	\$ -	\$ -	\$ -	\$ 5,645,000	\$ -	\$ 5,645,000
Transfers In	-	89,068	3,438,719	692,585	-	4,220,372
Transfers Out	(3,479,618)	(48,169)	-	-	(692,585)	(4,220,372)
Insurance Recoveries/Sale of Equipment	71,498	-	-	-	-	71,498
<b>TOTAL OTHER FINANCING SOURCES (USES):</b>	<b>\$ (3,408,120)</b>	<b>\$ 40,899</b>	<b>\$ 3,438,719</b>	<b>\$ 6,337,585</b>	<b>\$ (692,585)</b>	<b>\$ 5,716,498</b>
<b>Excess (Deficit) of Revenues &amp; Other Financing Sources over Expenditures &amp; Other Financing Uses</b>	<b>\$ (2,114,350)</b>	<b>\$ -</b>	<b>\$ (1,930,138)</b>	<b>\$ -</b>	<b>\$ 220,375</b>	<b>\$ (3,824,113)</b>
<b>Fund Balance, July 1, 2014</b>	<b>5,943,482</b>	<b>-</b>	<b>7,995,755</b>	<b>-</b>	<b>241,474</b>	<b>14,180,711</b>
<b>Fund Balance June 30, 2015</b>	<b>\$ 3,829,132</b>	<b>\$ -</b>	<b>\$ 6,065,617</b>	<b>\$ -</b>	<b>\$ 461,849</b>	<b>\$ 10,356,598</b>

CARROLL COUNTY, KENTUCKY BOARD OF EDUCATION  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2015

Net Change in Fund Balances - Total Governmental Funds	\$ (3,824,113)
 <i>Amounts reported for governmental activities in the statement of activities are different because</i>	
 Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Capitalized Expenditures	6,006,737
Depreciation Expense	(1,378,654)
Repayment of bonded debt and lease obligation principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	6,410,735
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	23,370
Some expense reported in the Statement of Activities, such as compensated absences and accrued claims, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	20,351
Governmental funds report insurance recoveries as an "other financing source", with replacement or restoration costs reported separately as an expenditure, subject to the modified accrual basis of accounting for revenue recognition (received within 60 days of year end).	
In the Government Wide financial statements, the impairment loss is reported net of any insurance recovery when the recovery is realized or realizable in the same year as the loss.	86,729
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each disposal. This is the difference in the amount of the gain/loss reported vs. the proceeds received on asset disposals	(85,521)
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	4,980
Governmental funds report District pension contributions to the County Employees Retirement System as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.	
District pension contributions	590,108
Cost of pension benefits earned net of employee contributions	(363,740)
The proceeds of revenue bonds issued to refund the Carroll County School District Finance Corporation School Building Revenue Bonds, Series of 2010, are reported in the governmental funds as a source of financing. In the Statement of Net Position, such proceeds constitute long-term liabilities.	(5,645,000)
<b>Change in net position of governmental activities</b>	<b><u>\$ 1,845,982</u></b>

**CARROLL COUNTY, KENTUCKY BOARD OF EDUCATION**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
 June 30, 2015

	<u>Enterprise Fund - School Food Service</u>
<b>ASSETS</b>	
Current Assets	
Cash and Cash Equivalents	\$ 29,842
Accounts Receivable	2,127
Inventories	29,832
Total Current Assets	<u>\$ 61,801</u>
<b>NONCURRENT ASSETS</b>	
Capital Assets, Net of	
Accumulated Depreciation	\$ 233,628
Total Noncurrent Assets	<u>\$ 233,628</u>
Total Assets	<u>\$ 295,429</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Employer Pension Contributions Made	
Subsequent to Measurement Date	<u>\$ 73,427</u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts Payable	\$ 483
Total Current Liabilities	<u>\$ 483</u>
<b>LONG TERM LIABILITIES</b>	
Net Pension Liability	\$ 565,587
Total Long Term Liabilities	<u>\$ 565,587</u>
Total Liabilities	<u>\$ 566,070</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Net Pension Liability - Difference Between	
Projected and Actual Earnings	<u>\$ 63,187</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	\$ 233,628
Unrestricted	(494,029)
Total Net Position	<u>\$ (260,401)</u>

**CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUND**  
 For the Year Ended June 30, 2015

	<b>Enterprise Fund - School Food Service</b>
<b>OPERATING REVENUES:</b>	
Lunchroom Sales	\$ 200,094
Other Revenues	35,508
	235,602
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 235,602</b>
 <b>OPERATING EXPENSES:</b>	
Salaries and Wages	\$ 416,517
Employee Benefits	159,785
Materials and Supplies	604,582
Depreciation	29,131
Other Operating Expenses	38,859
	1,248,874
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 1,248,874</b>
 <b>NET OPERATING INCOME (LOSS)</b>	 <b>\$ (1,013,272)</b>
 <b>NON-OPERATING REVENUES (EXPENSES)</b>	
Federal Grants	\$ 816,463
State Matching	10,739
Interest Income	4
Commodities Received	75,339
State On-Behalf Payments Received	72,465
	975,010
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>\$ 975,010</b>
 <b>CHANGE IN NET POSITION</b>	 <b>\$ (38,262)</b>
<b>Net Position, Beginning of Year, As Restated</b>	<b>(222,139)</b>
<b>Net Position, Ending of Year</b>	<b>\$ (260,401)</b>

**CARROLL COUNTY, KENTUCKY BOARD OF EDUCATION**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
 June 30, 2015

	<b>Enterprise Fund School Food Service</b>
<b>CASH FLOWS FROM (USED BY) OPERATING ACTIVITIES</b>	
Received from User Charges	\$ 199,661
Received from Interfund Services Provided	35,413
Payments to Employees for Services	(420,692)
Payments to Suppliers for Goods and Services	(520,104)
Payments for Other Operating Expenses	(154,345)
<b>Net Cash Used by Operating Activities</b>	<b>\$ (860,067)</b>
<b>CASH FLOWS FROM (USED BY) NONCAPITAL FINANCING ACTIVITIES</b>	
Nonoperating Grants Received	\$ 831,657
<b>Net Cash From Noncapital Operating Activities</b>	<b>\$ 831,657</b>
<b>CASH FLOWS FROM (USED BY) CAPITAL FINANCING ACTIVITIES</b>	
Acquisition of Equipment	\$ (11,217)
<b>Net Cash Used by Capital Financing Activities</b>	<b>\$ (11,217)</b>
<b>CASH FLOWS FROM (USED BY) INVESTING ACTIVITIES</b>	
Interest on Investments	\$ 4
<b>Net Cash From Investing Activities</b>	<b>\$ 4</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ (39,623)</b>
<b>Cash and Cash Equivalents, Beginning</b>	<b>69,465</b>
<b>Cash and Cash Equivalents, Ending</b>	<b>\$ 29,842</b>

**CARROLL COUNTY, KENTUCKY BOARD OF EDUCATION**  
**STATEMENT OF CASH FLOWS (CONTINUED)**  
**PROPRIETARY FUND**  
**June 30, 2015**

	<b>Enterprise Fund School Food Service</b> <hr/>
Reconciliation of Operating Income (Loss) to	
Net Cash Used by Operating Activities:	
Operating Income (Loss)	\$ (1,013,272)
Adjustments to Reconcile Operating Income (Loss) to	
Net Cash Used by Operating Activities:	
Depreciation	29,131
Commodities Used	75,339
State On Behalf Payments Received	72,465
Pension Expense	(28,167)
Changes in Assets and Liabilities:	
Accounts Receivable (Increase) Decrease	(527)
Inventories (Increase) Decrease	11,556
Accounts Payable Increase (Decrease)	(6,592)
	<hr/>
Net Cash Used by Operating Activities	<u>\$ (860,067)</u>

**NONCASH NONCAPITAL FINANCING ACTIVITIES**

During the year, the district received \$75,339 of food commodities from the U.S. Department of Agriculture, and the state provided employee benefits in the amount of \$72,465.

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION  
STATEMENT OF FIDUCIARY NET POSITION  
AGENCY FUNDS - SCHOOL ACTIVITY FUNDS  
June 30, 2015

**ASSETS**

Cash and Cash Equivalents	\$ 92,872
Accounts Receivable	116
Total Assets	<u>\$ 92,988</u>

**LIABILITIES**

Accounts Payable	\$ 6,850
Due to Student Groups	86,138
Total Liabilities	<u>\$ 92,988</u>

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INTRODUCTION

The Carroll County, Kentucky, Board of Education complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting principles are discussed in subsequent subsections of this Note.

The Carroll County Board of Education (Board), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Carroll County School District (District). The Board receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards as Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

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

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

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

Carroll County School District Finance Corporation - On June 27, 1991, the Carroll County, Kentucky, Board of Education resolved to authorize the establishment of the Carroll County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Carroll County Board of Education also comprise the Corporation's Board of Directors.

**Basis of Presentation**

*Government-wide Financial Statements*

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

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.

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

*Fund Financial Statements*

Fund financial statements report detailed information about the District. Fund financial statements are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund types.

The District has the following funds:

**I. Governmental Fund Types**

- (A) The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any unrestricted or uncommitted fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial assistance 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.
- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by proprietary funds).
  - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
  - 2. The Facility Support Program of Kentucky (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 School 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.
- (D) The District Activity Fund accounts for proceeds from revenue sources related to student activities, but not generated through student fund-raising activities, such as athletic events, book fairs, etc. Such revenues may be used by the District for general types of operations.

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION  
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED  
June 30, 2015

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**II. Debt Service Fund**

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

**III. Proprietary Funds (Enterprise Fund)**

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

**IV. Fiduciary Fund Type (includes agency and trust funds)**

The Agency Fund accounts for activities of student groups and other types of activities [student raised funds] requiring clearing accounts. These funds are accounted for in accordance with *Uniform Program of Accounting for School Activity Funds*.

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

**Measurement Focus**

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

**Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION  
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED  
June 30, 2015

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available as described above.

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

**Deferred Outflows and Deferred Inflows**

Deferred Outflows and Deferred Inflows are not assets or liabilities; revenues or expenses. Rather, they represent resources or the use of resources related to future periods.

**Debt Issuance Costs**

With the exception of prepaid insurance costs, costs related to issuance of debt are recognized as an expense in the period incurred. These include, but are not limited to, legal costs, costs of printing, insurance costs and various fees such as rating agency fees, trustee fees and administrative fees.

Advances from Other Governments – Advances from other governments arise when assets are recognized before revenue recognition criteria have been satisfied. Therefore grants and entitlements received before the eligibility requirements are met are recorded as advances from other governments.

**Operating Revenues and Expenses**

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. The fair value of donated commodities used during the year is reported in the proprietary fund’s statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are included in the School Food Service Fund’s inventories.

**Expenditures/Expenses**

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds-By Character:	Current (further classified by function)
	Debt Service
	Capital Outlay

**Proprietary Fund-By Operating and Nonoperating**

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION  
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED  
June 30, 2015

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Expenditures/Expenses (Continued)**

The District adheres to the use restrictions established by Kentucky Revised Statutes when expenses are incurred for which both restricted and unrestricted net position are available. The District has no policy defining which resources (restricted or unrestricted) to use first.

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

**Taxes**

**Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are due by December 31. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. Taxes are allocated as collected or transferred to the appropriate fund prior to year end.**

The property tax rates assessed for the year ended June 30, 2015, were 56.6 cents per \$100 for real property, 56.6 cents per \$100 valuation for business personal property and 55.7 per \$100 valuation for motor vehicles. These rates include the 5.8 cents per \$100 valuation required to produce the equivalent tax necessary for participation in the Kentucky School Facilities Construction Commission (KSFCC) and FSPK programs allocated to the FSPK Building Fund. The remaining property tax revenues are used to finance operations of the District's General Fund.

**Utility Tax Revenues**

The District levies a utility gross receipts tax in the amount of 3% of the gross receipts derived from the furnishing, within the county, of telephonic and telegraphic communication services, cablevision services, electric power, water, and natural, artificial and mixed gas. The Kentucky Department of Revenue collects this tax and remits to the state's school districts.

**On-Behalf Payments**

Payments made by the State of Kentucky for Kentucky teacher retirement, fringe benefits, network services (Kentucky Educational Network Services, Munis Financial Software and Services and McAfee Virus Protection), and payments made by the Kentucky School Facilities Construction Commission for debt service are included in the government-wide and governmental fund financial statements. Payments for the year ended June 30, 2015 amount to \$1,429,448, \$1,858,960, \$51,498 and \$525,487, respectively. \$72,465 of the on-behalf payments were allocated to the School Food Service Fund. \$525,487 of the on-behalf payments were recorded in the Debt Service Funds. All other on-behalf payments were recorded in the general fund.

**Cash and Cash Equivalents**

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

**Inventories**

The cost of consumable materials and supplies on hand are immaterial to the financial statements, and the District has therefore chosen to report these items as expenditures/expenses at the time of purchase with the exception of the proprietary fund.

**The school food service fund (proprietary fund) records its inventory at cost or donated value (commodities).**

**Prepaid Assets**

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

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION  
 NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED  
 June 30, 2015

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fixed Assets**

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

***Government-wide Statements***

In the government-wide financial statements, fixed assets are accounted for as capital assets. 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 cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Estimated historical cost was used to value the majority of the assets acquired prior to July 1, 2003.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The ranges of estimated useful lives by type of asset are as follows:

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

***Fund Financial Statements***

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

**Interfund Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

**Accumulated Unpaid Sick Leave Benefits**

Upon retirement from the school system, an employee will receive from the District an amount equal to 17.5%-30% of the value of their accumulated sick leave, depending on the number of days accumulated.

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 attributable to the District's employees meeting retirement eligibility requirements).

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

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION  
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED  
June 30, 2015

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Accumulated Unpaid Sick Leave Benefits (Continued)**

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

**Pensions**

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

**Long-term Debt**

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists of bonded debt and lease obligations, and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for the proprietary fund is the same in the fund statements as it is in the government-wide statements.

**Equity Classifications**

***Government-wide Statements***

**Equity is classified as net position and displayed in three components:**

- a. Net investment in capital assets-Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position-Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position-All other net position that does not meet the definition of "restricted or "net investment in capital assets."

***Fund Statements***

**Governmental fund equity is classified as fund balance. Fund balance is further classified as follows:**

- a. Nonspendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact (such as the corpus of an endowment fund).
- b. Restricted – amounts that can be used only for specific purposes because of (a) constitutional provisions or enabling legislation or (b) externally imposed constraints.

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION  
 NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED  
 June 30, 2015

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Equity Classifications (Continued)**

- c. **Committed** – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.
- d. **Assigned** – amounts intended to be used for specific purposes but that do not meet the criteria to be classified as restricted or committed. Administrators are authorized to assign amounts by purchase order approval. This is the residual fund balance classification for all governmental funds except the general fund.

The Board of Education is the District’s highest level of decision making authority. Formal approval of a motion made at a public meeting of the Board of Education is necessary to establish (and modify or rescind) a fund balance commitment or assignment.

- e. **Unassigned** – this is the residual classification for the general fund.

Proprietary fund equity is classified the same as in the government-wide statements.

**NOTE B - 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, liabilities, designated fund balances, 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 C - CASH AND CASH EQUIVALENTS AND INVESTMENTS**

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Kentucky or political subdivision debt obligations, or surety bonds. As required by the Financial Institutions Reform, Recovery and Enforcement Act of 1989, all financial institutions pledging collateral to the Board of Education must have a written collateral agreement approved by the board of directors or loan committee.

Statutes authorize the Board to invest in interest bearing deposits in national or state banks chartered in Kentucky, certificates of deposit, repurchase agreements, other available bank investments, and municipal investment pools provided that approved securities are pledged to secure those funds on deposit in an amount equal to the amount of those funds. In addition, the Board may invest in direct debt securities of the United States and mutual funds as described in KRS 66.480.

Carroll County Kentucky, Board of Education’s policies regarding deposits of cash are in accordance with the state statutes. Custodial credit risk for deposits is the risk that in the event of a bank failure, the Board’s deposits may not be returned to it. As of June 30, 2015, in accordance with the Board’s policy \$250,000 of the District’s deposits were covered by federal depository insurance and \$10,760,123 respectively, were collateralized by securities held by the pledging financial institution’s agent in the Board’s name. Thus the Board had no deposits that were exposed to custodial credit risk.

Type of Deposits	Total Bank Balance	Total Carrying Value
Time/Savings Deposits	\$ 11,010,123	\$ 10,179,905
Total Deposits	\$ 11,010,123	\$ 10,179,905

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

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION  
 NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED  
 June 30, 2015

**NOTE C - CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)**

	Bank Balance	Book Balance
U.S. Bank Checking and Money Market Accounts	\$ 10,910,640	\$ 10,087,033
U.S. Bank - Agency Funds (School Activity Accounts)	99,483	92,872
Cash on Hand	-	50
	\$ 11,010,123	\$ 10,179,955

At June 30, 2015, \$2,986,704 was attributable to the General Fund.

**NOTE D – RISK MANAGEMENT**

The Board 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 Board has purchased certain policies that are retrospectively rated which include Worker's Compensation insurance.

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. If the Board were to fail to comply with this requirement, the risk of a substantial loss could exist.

**NOTE E – CAPITAL ASSETS**

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

	Balance at July 1, 2014	Additions	Disposals	Balance at June 30, 2015
<b>Governmental Activities:</b>				
Land	\$ 560,439	\$ -	\$ -	\$ 560,439
Land Improvements	98,237	42,500	(63,125)	77,612
Buildings & Improvements	31,454,800	93,287	(40,497)	31,507,590
Machinery & Equipment	11,105,645	501,483	(360,742)	11,246,386
Construction in Process	896,279	5,783,851	-	6,680,130
Totals at Historical Cost	\$ 44,115,400	\$ 6,421,121	\$ (464,364)	\$ 50,072,157
Less: Accumulated Depreciation				
Buildings & Improvements	\$ 10,816,708	\$ 654,978	\$ (51,328)	\$ 11,420,358
Machinery & Equipment	7,686,329	723,676	(327,514)	8,082,491
Total Accumulated Depreciation	\$ 18,503,037	\$ 1,378,654	\$ (378,842)	\$ 19,502,849
<b>Governmental Activities - Capital Assets, Net</b>	<b>\$ 25,612,363</b>	<b>\$ 5,042,467</b>	<b>\$ (85,522)</b>	<b>\$ 30,569,308</b>

Depreciation Expense was charged to governmental activities as follows:

Instructional	\$ 997,162
Support	
Student Support	7,937
Staff Support	148,751
District Administration	7,594
School Administration	1,280
Business Support Services	1,571
Plant Operations & Maintenance	61,418
Student Transportation	152,531
Community Services	410
Total Depreciation Expense	\$ 1,378,654

\$23,724,946 of assets are recorded under capital lease obligations. Accumulated depreciation of \$9,266,614 and \$174,373 associated with these assets is included under buildings and improvements, and machinery and equipment, respectively. Land and construction in process are capital assets not being depreciated.

	Balance at July 1, 2014	Additions	Disposals	Balance at June 30, 2015
<b>Business-type Activities:</b>				
Machinery & Equipment	\$ 783,881	\$ 11,217	\$ (8,400)	\$ 786,698
Less: Accumulated Depreciation	(532,339)	(29,131)	8,400	(553,070)
Business-type Capital Assets, Net	\$ 251,542	\$ (17,914)	\$ -	\$ 233,628

Depreciation Expense was charged to the Proprietary Fund-School Food Service Enterprise Fund in the amount of \$29,131.

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION  
 NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED  
 June 30, 2015

**NOTE F – INTEREST EXPENSE**

Interest and fiscal charges (modified accrual basis) associated with bonded debt and capital lease obligations of the governmental funds was \$541,028, consisting of \$492,448 interest and \$48,580 bond issuance costs associated with the issuance of the District's 2014 Refunding Revenue Bonds. Interest and fiscal charges on long term debt as reported in the government-wide statement of activities of \$536,048 includes an adjustment for accrued interest.

**NOTE G – LONG-TERM DEBT**

**Governmental Activities:**

As of June 30, 2015, the governmental long-term debt of the financial reporting entity consisted of the following:

**Capital Lease Obligations:**

Capital lease obligations for school building improvements and transportation equipment:

Current Portion	\$ 869,605
Noncurrent Portion	12,000,340
<b>Total Capital Lease Obligations</b>	<b><u>\$ 12,869,945</u></b>

**Accrued Compensated Absences:**

Current Portion	\$ 39,752
Noncurrent Portion	159,006
<b>Total</b>	<b><u>\$ 198,758</u></b>

**Assessment Payable – KSBIT:**

Current Portion	\$ 14,467
Noncurrent Portion	72,335
<b>Total</b>	<b><u>\$ 86,802</u></b>

**Business-type Activities:**

NONE

**Changes in Long-term Debt**

The following is a summary of changes in long-term debt for the fiscal year ended June 30, 2015:

**Type of Debt**

Governmental Activities	<u>Balances</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances</u> <u>June 30, 2015</u>
Obligations Under Capital Leases	\$ 13,635,680	\$ 5,645,000	\$ (6,410,735)	\$ 12,869,945
Accrued Compensated Absences	219,109	-	(20,351)	198,758
Assessment Payable - KSBIT	86,802	-	-	86,802
<b>Total</b>	<b><u>\$ 13,941,591</u></b>	<b><u>\$ 5,645,000</u></b>	<b><u>\$(6,431,086)</u></b>	<b><u>\$ 13,155,505</u></b>

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION  
 NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED  
 June 30, 2015

NOTE G – LONG-TERM DEBT (Continued)

Bonded Debt and Lease Obligations

The amount shown in the accompanying financial statements as lease obligations represents the Board's future obligations to make lease payments relating to the bonds issued by the Carroll County, Kentucky, School District Finance Corporation and the Kentucky Interlocal School Transportation Association (KISTA) aggregating \$12,830,000 and \$39,945.

The Carroll County Board of Education has entered into agreements with the Kentucky School Facilities Construction Commission (KSFCC) whereby, the KSFCC agreed to participate with the Board in the repayment of Carroll County, Kentucky, School Building Revenue Bonds. The KSFCC has agreed to contribute up to \$525,642 annually for this assistance. This commitment by the KSFCC is limited to the biennial period of the Commonwealth of Kentucky. By the execution of the participation agreement, the Commission has expressed its present intention to continue to pay the agreed participation in each successive biennial period until the retirement of all the bonds, but such execution does not obligate the Commission to do so. The Carroll County Board of Education transferred amounts sufficient to redeem its share of the 2014-15 obligation.

On February 9, 2010, the Carroll County (Kentucky) School District Finance Corporation issued \$6,045,000 School Building Revenue Bonds, Series of 2010 with interest rates of 1.4% - 5.6%. These funds were used to finance the renovation and expansion of the Cartmell Elementary School. These bonds were taxable Build America Bonds. On November 6, 2014, the Carroll County (Kentucky) School District Finance Corporation issued \$5,645,000, 2014 School Building Refunding Revenue Bonds with interest rates of 2.5% - 3.0% to advance refund \$5,515,000 of its 2010 revenue bonds outstanding. The 2010 bonds were called on December 9, 2014. After adding the underwriter's premium of \$17,127 and deducting bond issuance costs of \$48,580, the net proceeds of the 2014 refunding bonds were \$5,613,547. As a result of the advance refunding, the District reduced its total debt service requirements by \$227,974, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$160,563. Final maturity on the 2014 Refunding Issue is February 1, 2030.

The General Fund, Facility Support Program (FSPK), and the SEEK Capital Outlay Fund are obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding. The original amount of the issue, the issue dates, and interest rates are summarized as follows:

<u>Issue</u>	<u>Original Amount</u>	<u>Outstanding</u>	<u>Interest Rates</u>
Issue of 2004	\$ 395,000	\$ 220,000	3.00 - 4.90%
Issue of 2005	2,060,000	1,205,000	2.80 - 4.20%
Issue of 2006	725,000	500,000	4.25%
Issue of 2007 (Refunding Issue)	990,000	650,000	3.40 - 3.75%
Issue of 2008 (Refunding Issue)	3,135,000	1,245,000	2.50 - 3.20%
Issue of 2010	6,045,000	-	1.40 - 5.60%
Issue of 2014	3,625,000	3,550,000	1.00 - 3.45%
Issue of 2014 (Refunding Issue)	5,645,000	5,460,000	2.50 - 3.00%
 Total	 <u>\$ 22,620,000</u>	 <u>\$ 12,830,000</u>	

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

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION  
 NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED  
 June 30, 2015

**NOTE G – LONG-TERM DEBT (Continued)**

**Bonded Debt and Lease Obligations (Continued)**

Year	Carroll County Board of Education		Kentucky School Facilities Construction Commission		Total
	Principal	Interest	Principal	Interest	
2015-2016	\$ 482,137	\$ 227,466	\$ 367,863	\$ 157,778	\$ 1,235,244
2016-2017	492,832	212,767	377,168	146,561	1,229,328
2017-2018	502,678	197,641	377,322	135,025	1,212,666
2018-2019	515,366	185,215	359,634	123,535	1,183,750
2019-2020	531,046	170,379	353,954	112,226	1,167,605
2020-2021	434,133	158,402	320,867	101,016	1,014,418
2021-2022	448,287	148,099	331,713	90,169	1,018,268
2022-2023	451,928	137,176	343,072	78,811	1,010,987
2023-2024	464,635	125,877	355,365	66,516	1,012,393
2024-2025	476,598	114,262	338,402	53,638	982,900
2025-2026	486,878	99,964	198,122	41,121	826,085
2026-2027	497,781	85,357	192,219	34,765	810,122
2027-2028	509,700	70,424	155,300	29,349	764,773
2028-2029	521,096	55,133	163,904	24,690	764,823
2029-2030	537,073	39,500	167,927	19,773	764,273
2030-2031	151,543	22,781	98,457	14,306	287,087
2031-2032	163,146	17,553	101,854	10,910	293,463
2032-2033	169,633	11,924	105,367	7,396	294,320
2033-2034	175,998	6,072	109,002	3,761	294,833
	<u>\$ 8,012,488</u>	<u>\$ 2,085,992</u>	<u>\$ 4,817,512</u>	<u>\$ 1,251,346</u>	<u>\$ 16,167,338</u>

The Board has passed resolutions to participate in the Kentucky Interlocal School Transportation Association (KISTA) to assist it in financing its needs for the acquisition of school buses. KISTA was created to provide for the acquisition of such equipment through utilization of a pooled financing affected by the issuance of KISTA's Equipment Lease Revenue Bonds. KISTA has therefore acted as an issuing agency for the participating Boards of Education (including Carroll), which after providing for the expenses of the authorization, sale, and issuance of the bonds, the Board "leased" the equipment on a year to year basis at annual rentals sufficient to amortize the pro rata portion of the proceeds of the bonds.

At original issue, the Board's pro rata portion of the KISTA Equipment Lease Revenue Bonds were as follows:

	Principal Participation %	At Original Issue	Outstanding	Interest Rate
2005 Series	1.00%	\$ 189,449	\$ -	3.0% - 3.625%
2006 Second Series	1.23%	202,542	39,945	3.5% - 3.875%
		<u>\$ 391,991</u>	<u>\$ 39,945</u>	

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION  
 NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED  
 June 30, 2015

**NOTE G – LONG-TERM DEBT (Continued)**

**Bonded Debt and Lease Obligations (Continued)**

Assuming the payments are made as scheduled, the Board's obligation to repay its pro rata portion of the Bonds outstanding at June 30, 2015, for debt service, (principal and interest) are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Retirement for Year</u>
2015-16	\$ 19,605	\$ 1,523	\$ 21,128
2016-17	20,340	788	21,128
	<u>\$ 39,945</u>	<u>\$ 2,311</u>	<u>\$ 42,256</u>

During the year ended June 30, 2015, the District paid \$43,763 in principal and interest payments on the KISTA bond issues. These payments are included as debt service in the General Fund.

**Assessment Payable – KSBIT**

Assessment Payable – KSBIT represents the court approved assessment on the former members of the Kentucky School Boards Insurance Trust Workers Compensation Fund. Twelve and one half (12.5%) percent of the assessment of \$115,736 was paid in August, 2014. The remaining assessment of \$86,802 is payable in six (6) annual installments beginning August 31, 2015. The obligation is non-interest bearing. Assuming no payments are made prior to the scheduled maturity, the obligations of the District of June 30, 2014 are as follows:

<u>Payment Date</u>	<u>Principal</u>
2015-16	\$ 14,467
2016-17	14,467
2017-18	14,467
2018-19	14,467
2019-20	14,467
2020-21	14,467
Total	<u>\$ 86,802</u>

Assuming no issues or other long term obligations are called prior to scheduled maturity, the minimum obligations of the District at June 30, 2015, (including amounts anticipated to be paid by the Kentucky School Facilities Construction Commission for debt service, but excluding unpaid sick leave benefits are as follows:

	<u>Principal</u>	<u>Interest</u>
2015-2016	\$ 884,072	\$ 386,767
2016-2017	904,807	360,116
2017-2018	894,467	332,666
2018-2019	889,467	308,750
2019-2020	899,467	282,605
2020-2025	3,979,467	1,073,966
2025-2030	3,430,000	500,076
2030-2034	1,075,000	94,703
Total	<u>\$ 12,956,747</u>	<u>\$ 3,339,649</u>

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION  
 NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED  
 June 30, 2015

**NOTE G – LONG-TERM DEBT (Continued)**

Of the total interest scheduled to be paid through maturity (\$3,339,649), \$1,251,346 is attributable to the Kentucky School Facilities Construction Commission. Accrued interest attributable to the Kentucky School Facilities Construction Commission's share of bonds outstanding has not been recorded as a liability in the statement of Net Position, as payment by the District is not probable.

**NOTE H - ACCUMULATED UNPAID SICK LEAVE BENEFITS**

Full-time certified and classified employees are both entitled to two days of personal leave with pay each school year. On June 30, personal leave days not taken during the current school year are transferred and credited to the employee's accumulated sick leave account. All full-time certified and classified employees are entitled to ten days of sick leave with pay each school year. In addition, employees who work under extended employment schedules are entitled to the following:

Employee working less than 200 days	Ten (10) sick days
Employee working 200-219 days	Eleven (11) sick days
Employee working 220 or more days	Twelve (12) sick days

Sick leave days not taken during the school year in which they were granted shall accumulate without limitation to the credit of the certified or classified employee to whom they were granted. Certified and classified employees coming to the District from another Kentucky school district or from the Kentucky Department of Education shall transfer accumulated sick leave to the District. The estimated total liability for accumulated sick leave at June 30, 2015, was \$3,453,756 for certified and classified employees. No accrual has been recorded in the financial statement due to the contingent nature of this liability.

Upon retirement from the school system, certified and classified employees will receive accumulated sick leave as follows:

1-75 days accumulated unused sick leave	X	*Daily rate	X	17.5%
76-150 days accumulated unused sick leave	X	*Daily rate	X	22.5%
151+ days accumulated unused sick leave	X	*Daily rate	X	30.0%

\*Daily rate is based on the employee's last annual salary.

At June 30, 2015, these amounts totaled \$127,205 and \$71,553, respectively, for those certified and classified employees eligible for retirement (having 27 or more years of service or having attained age 55 with five or more years of service). None of these compensated absences are deemed to be paid on a current basis, (within 60 days of year-end), therefore, no liability has been recorded in the Governmental Funds Balance Sheet. In the government-wide statement of net position, the accrued compensated absences liability has been recorded as follows:

Current	\$ 39,752
Non-current	159,006
Total	<u>\$ 198,758</u>

**NOTE I - RETIREMENT PLANS**

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

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

*Plan description* – Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION  
 NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED  
 June 30, 2015

**NOTE I - RETIREMENT PLANS (Continued)**

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

Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. The most recent financial report, dated June 30, 2014, may be obtained from <http://kyret.ky.gov/Publications/Issued%20Financial%20Statements-20141.pdf>.

*Basis of Accounting* – CERS’s financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with terms of the plan. Premium payments are recognized when due and payable in accordance with the terms of the plan. Administrative and investment expenses are recognized when incurred.

*Method Used to Value Investments* – Investments of the plan are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Short-term investments are reported at cost, which approximates fair value.

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

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

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

*Contributions* - For the fiscal years ended June 30, 2014 and 2013, plan members who began participating prior to September 1, 2008, were required to contribute 5% of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the fiscal years ended June 30, 2014 and 2013, participating

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION  
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED  
June 30, 2015

**NOTE I - RETIREMENT PLANS (Continued)**

employers contributed 18.89% and 19.55%, respectively, of each employer's creditable compensation. The actuarially determined rates set by the Board for the fiscal years ended June 30, 2014 and 2013, were 18.89% and 19.55%, respectively. Administrative costs of KRS are financed through employer contributions and investment earnings.

In accordance with House Bill 1, signed by the Governor on June 27, 2008, plan members who began participating on, or after, September 1, 2008, were required to contribute a total of 6% of their annual creditable compensation. Five percent of the contribution was deposited to the member's account while the 1% was deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E). Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1% contribution to the 401(h) account is non-refundable and is forfeited. For plan members who began participating prior to September 1, 2008, their contributions remain at 5% of their annual creditable compensation.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Non-hazardous members contribute 5% of their annual creditable compensation and 1% to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. For non-hazardous members, their account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

*Actuarial Methods and Assumptions*

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

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

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the County Employee Retirement System Pension*

At June 30, 2015, the District reported a liability of \$5,111,000 for its proportionate share of the net pension liability. The net pension liability for CERS was measured as of June 30, 2014, and was based on the actual liability of the employees and former employees relative to the total liability of the system as 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 long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2014, the District's proportion was .157534 percent. Data is not available for the change in its proportion from previous periods.

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION  
 NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED  
 June 30, 2015

**NOTE I - RETIREMENT PLANS (Continued)**

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

The District's total payroll for the fiscal year ended June 30, 2015 was \$13,194,864. Contributions to CERS were based on \$3,755,151 (eligible gross wages). The total employer contributions for the year ended June 30, 2015 were \$663,535.

The District's total payroll for the fiscal year ended June 30, 2014, was \$13,071,473. Contributions to CERS were based on \$3,673,476 (eligible gross wages). The total employer pension contributions for the year ended June 30, 2014, were \$682,750.

All contributions were made as required during these years.

The District's contribution for the year ended June 30, 2014, (general and proprietary fund combined) was .157545 percent of the System's total contribution requirements for all employers.

For the year ended June 30, 2014, the District recognized pension expense of \$409,000, \$363,740 attributed to the General Fund, and \$45,260 attributed to the Proprietary Fund. At June 30, 2015 the District reported deferred outflows of resources and deferred inflows of resources related to CERS pensions from the following sources:

	Governmental Funds		Proprietary Fund	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments.	\$ -	\$ 507,813	\$ -	\$ 63,187
District contributions subsequent to the measurement date	590,108	-	73,427	
<b>Total</b>	<b>\$ 590,108</b>	<b>\$ 507,813</b>	<b>\$ 73,427</b>	<b>\$ 63,187</b>

\$663,535 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be amortized over five years and recognized in pension expense as follows:

Year ended June 30,

2016	\$114,200
2017	114,200
2018	114,200
2019	114,200
2020	114,200

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

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

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION  
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED  
June 30, 2015

**NOTE I - RETIREMENT PLANS (Continued)**

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

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

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

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

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

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

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

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

The District's total payroll for the year was \$13,194,864. The payroll for employees covered under KTRS was \$9,330,821. For the year ended June 30, 2015, the Commonwealth contributed \$1,112,130 to KTRS for the benefit of the District's participating employees. The School District's contributions to KTRS for the year ending June 30, 2015 were \$345,177 which represents those employees covered by federal programs.

**Medical Insurance Plan**

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

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION  
 NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED  
 June 30, 2015

**NOTE I - RETIREMENT PLANS (Continued)**

**Medical Insurance Plan (Continued)**

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

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

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Kentucky Teachers Retirement System Pension*

At June 30, 2015, the District did not report a liability for the District's proportionate share of the net pension liability for KTRS because the Commonwealth of Kentucky provides the pension support directly to KTRS on behalf of the District. The District's proportionate share of the KTRS net pension liability, was as follows:

Commonwealth's proportionate share of the KTRS net pension liability associated with the District	<u>\$60,659,015</u>
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The net pension liability for KTRS 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.

**NOTE J – TRANSFER OF FUNDS**

The following transfers made during the year were reported in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds:

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	Construction	Construction Project	\$ 3,438,719
General Fund	Special Revenue	Matching	40,899
Seek Capital Outlay Fund	Debt Service	Bond Payments	54,417
FSPK Building Fund	Debt Service	Bond Payments	638,168
Special Revenue Fund	Special Revenue Fund	Flexible Focus Reallocation	48,169
Total			<u>\$ 4,220,372</u>

**NOTE K – ECONOMIC DEPENDENCY**

Carroll County Board of Education received \$1,160,124 in Lieu of Tax Revenue from North American Stainless. The District receives the majority of its total utilities tax revenue from Kentucky Utilities and Carrollton Utilities.

**NOTE L – FUND EQUITY**

**Restricted Net Position**

The following table shows the restricted net position as shown on the Statement of Net Position:

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION  
 NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED  
 June 30, 2015

**NOTE L – FUND EQUITY (Continued)**

**Governmental Activities (other purposes)**

Activity	Restricted By	Amount
Construction of approved facility plan projects/ debt service/KSFCC Escrow	State Law	\$ 6,423,107
		<u>\$ 6,423,107</u>

The following classifications of fund balance on the Governmental Funds Balance Sheet (Fund Financial Statement) have been made:

**Nonspendable for prepaid expense:**

General Fund	\$ 332,044
	<u>332,044</u>

**Restricted for:**

**Construction Fund:**

Construction of Approved Facility Plan Projects	\$ 6,065,617
---	--------------

**Other Non-Major Governmental Funds -**

**Seek Capital Outlay Fund:**

**Kentucky School Facilities**

**Construction Commission**

(KSFCC) Escrow	\$ 357,490
	<u>357,490</u>

<b>Total Restricted</b>	<b>\$ 6,423,107</b>
	<u>6,423,107</u>

**Committed for:**

**General Fund:**

Outstanding purchase orders approved by action of the Board of Education:	\$ 32,000
---	-----------

Accumulated sick leave as constrained to that purpose by action of the Board of Education:	84,500
	<u>84,500</u>

<b>Total Committed</b>	<b>\$ 116,500</b>
	<u>116,500</u>

**Assigned for:**

**General Fund:**

Outstanding purchase orders approved by District Administrators	\$ 479,508
---	------------

**Other Non-Major Governmental Funds -**

**District Activity Funds:**

General expenditures related to student activity revenue sources	104,359
	<u>104,359</u>

<b>Total Assigned</b>	<b>\$ 583,867</b>
	<u>583,867</u>

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION  
 NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED  
 June 30, 2015

**NOTE M – CONTINGENCIES AND COMMITMENTS/SUBSEQUENT EVENTS**

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

The District has approved a construction project for the renovation and expansion of the Carroll County High School Football/Soccer Field and Bleachers. The bid for the project was awarded to Wehr Constructors, Inc. for \$3,011,776 including direct purchase orders of \$977,613. Ross Tarrant Architects is the architectural firm for the project. The project was to be completed by September 30, 2015.

The District has approved a construction project for the renovation and expansion of the Carroll County Middle School. The bid for the project was awarded to Marillia Design and Construction for \$7,798,115, including owner direct purchase orders of \$1,801,453. Change orders through June 30, 2015, amounted to \$328,852. There have been significant delays in completing the project. The project was originally estimated to be complete in July, 2015. However, at June 30, 2015, the project was only 65% complete. The District is in the process of petitioning the contractor's bonding company to remedy the issues.

The District is subject to litigation. It is anticipated that all claims will be covered by insurance.

**Subsequent Event**

In September, 2015, the District was notified that federal funding for its Drug Free Communities Support Program was discontinued.

**NOTE N - FINANCIAL STATEMENTS RESTATEMENT**

In June, 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27*. In November, 2013, the GASB issued Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB No. 68*. Both of these statements were adopted by the District for the fiscal year ended June 30, 2015. Under these statements, the District is required to report in its accrual based financial statement(s), the net pension liability associated with its' employees' pensions as a liability. It is also required to report a deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability. These balances reflect the government's obligation to pay deferred benefits earned by its employees when the pension [plan's] liability exceeds the value of the pension plan's assets.

Retroactive application by restating financial statements for all periods presented is required. The effect of the reinstatement is as follows for the year ended June 30, 2014.

**Statement of Net Position:**

	Governmental Activities	Business-Type Activities
Total Net Position as Originally Presented June 30, 2014	\$ 25,628,463	\$ 361,375
Less Net Pension Liability	(5,296,682)	(659,068)
Plus Deferred Outflows Employer Pension Contributions	607,196	75,554
Total Net Position as Restated, June 30, 2014	\$ 20,938,977	\$ (222,139)

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION  
 NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED  
 June 30, 2015

**NOTE N - FINANCIAL STATEMENTS RESTATEMENT** (Continued)

The components of Net Position at June 30, 2014  
 after restatement are as follows:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Net Investment in Capital Assets	\$ 15,601,683	\$ 251,542
Restricted for Debt Service/Capital Expenditures	4,612,229	-
Unrestricted	725,065	(473,681)
Total Net Position	\$ 20,938,977	\$ (222,139)

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES:</b>				
From Local Sources:				
<b>Taxes</b>				
Property	\$ 3,357,000	\$ 3,357,000	\$ 3,442,487	\$ 85,487
Motor Vehicle	280,000	280,000	324,819	44,819
Utilities	2,727,000	2,727,000	3,656,352	929,352
Revenue in Lieu of Tax	1,362,000	1,362,000	1,297,817	(64,183)
Earnings on Investments	2,000	2,000	849	(1,151)
Other Local Revenues	7,200	7,200	87,740	80,540
Intergovernmental Revenue - State	7,197,000	7,197,000	7,174,666	(22,334)
Intergovernmental Revenue - Federal	10,000	10,000	48,563	38,563
<b>TOTAL REVENUES</b>	<b>\$ 14,942,200</b>	<b>\$ 14,942,200</b>	<b>\$ 16,033,293</b>	<b>1,091,093</b>
<b>EXPENDITURES:</b>				
Instruction	\$ 7,962,122	\$ 7,961,284	\$ 7,610,597	\$ 350,687
Support Services				
Student	640,573	644,948	641,224	3,724
Instructional Staff	1,632,598	1,568,223	1,206,509	361,714
District Administration	868,588	868,588	616,549	252,039
School Administration	1,248,110	1,248,110	1,159,389	88,721
Business Support Services	494,236	494,236	461,675	32,561
Plant Operations & Management	2,000,982	2,060,982	1,893,319	167,663
Student Transportation	1,402,477	1,402,477	1,100,241	302,236
Other Instructional	12,000	12,000	792	11,208
Food Service Operations	3,000	3,000	5,465	(2,465)
Debt Service	80,000	80,000	43,763	36,237
Contingency	2,035,143	2,035,143	-	2,035,143
<b>TOTAL EXPENDITURES</b>	<b>\$ 18,379,829</b>	<b>\$ 18,378,991</b>	<b>\$ 14,739,523</b>	<b>\$ 3,639,468</b>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	<b>\$ (3,437,629)</b>	<b>\$ (3,436,791)</b>	<b>\$ 1,293,770</b>	<b>\$ 4,730,561</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	\$ -	\$ -	\$ -	\$ -
Transfers Out	(25,000)	(25,000)	(979,618)	(954,618)
Sale of Assets	5,000	5,000	13,678	8,678
Insurance Recoveries	-	-	57,820	57,820
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ (20,000)</b>	<b>\$ (20,000)</b>	<b>\$ (908,120)</b>	<b>\$ (888,120)</b>
<b>Excess (Deficit) of Revenues &amp; Other Financing Sources Over Expenditures &amp; Other Financing Uses</b>	<b>\$ (3,457,629)</b>	<b>\$ (3,456,791)</b>	<b>\$ 385,650</b>	<b>\$ 3,842,441</b>
<b>Fund Balance - July 1, 2014</b>	<b>3,457,629</b>	<b>3,457,629</b>	<b>3,358,982</b>	<b>(98,647)</b>
<b>Fund Balance - June 30, 2015</b>	<b>\$ -</b>	<b>\$ 838</b>	<b>\$ 3,744,632</b>	<b>\$ 3,743,794</b>

**CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**SPECIAL REVENUE FUNDS**  
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES:</b>				
<b>From Local Sources:</b>				
Other Local Revenues	\$ 178,455	\$ 119,635	\$ 103,577	\$ (16,058)
Intergovernmental - State	546,527	909,549	600,846	(308,703)
Intergovernmental - Federal Direct	1,825,684	1,950,684	1,967,250	16,566
Intergovernmental - Federal through the State	1,427,063	1,391,335	1,600,844	209,509
<b>TOTAL REVENUES</b>	<b>\$ 3,977,729</b>	<b>\$ 4,371,203</b>	<b>\$ 4,272,517</b>	<b>\$ (98,686)</b>
<b>EXPENDITURES:</b>				
Instruction	\$ 3,332,240	\$ 3,713,918	\$ 3,504,740	\$ 209,178
Support Services				
Student	131,250	124,811	129,800	(4,989)
Instructional Staff	125,632	157,552	180,450	(22,898)
Business Support Services	39,972	39,972	38,862	1,110
Plant Operations & Management	58,296	58,296	130,418	(72,122)
Student Transportation	91,286	91,286	99,092	(7,806)
Food Service Operations	42,031	42,031	41,864	167
Community Service	182,022	184,236	188,190	(3,954)
<b>TOTAL EXPENDITURES</b>	<b>\$ 4,002,729</b>	<b>\$ 4,412,102</b>	<b>\$ 4,313,416</b>	<b>\$ 98,686</b>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	<b>\$ (25,000)</b>	<b>\$ (40,899)</b>	<b>\$ (40,899)</b>	<b>\$ -</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating Transfers In	\$ 73,169	\$ 89,068	\$ 89,068	\$ -
Operating Transfers Out	(48,169)	(48,169)	(48,169)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ 25,000</b>	<b>\$ 40,899</b>	<b>\$ 40,899</b>	<b>\$ -</b>
<b>Excess (Deficit) of Revenues &amp; Other Financing Sources Over Expenditures &amp; Other Financing Uses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Fund Balance - July 1, 2014	-	-	-	-
<b>Fund Balance - June 30, 2015</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION  
NOTES TO BUDGETARY COMPARISON SCHEDULES  
June 30, 2015

**NOTE 1**

**Budgetary Process**

**Budgetary Basis of Accounting:** The District's budgetary process accounts for its transactions on the modified accrual basis of accounting.

The Board of Education follows these procedures in establishing the budgetary data for the general fund, special revenue, and certain capital projects funds reflected in the financial statements.

1. The superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The Operating Budget includes proposed expenditures and the means of financing them for the upcoming year. Funds restricted at the end of the previous fiscal year due to the District's participation agreements with the Kentucky School Facilities Construction Commission and outstanding BG-1(s) and for its commitment of funds for the future obligation for sick leave retirement benefits are not budgeted. Revenues and expenditures associated with on-behalf payments made by the state of Kentucky for teacher retirement, Fringe Benefits, and Network Services, are not budgeted. Detailed line item budgets are included for administration control. The level of control for the detailed budgets is at the principal/department head level.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to January 31, the school district certifies to the Kentucky Department of Education that it has formally and publicly examined the draft budget.
4. Prior to March 1, the Board of Education makes a tentative allocation to School Councils including amounts for certified and classified staffs, instructional supplies, materials, travel and equipment.
5. Prior to May 1, the Board of Education must provide notice of updated allocations to school councils.
6. Prior to May 30, the Board adopts a tentative working budget.
7. Prior to September 30, the Board adopts a final working budget and submits it to the Kentucky Board of Education for approval.
8. After the Department of Education has approved the final working budget, amendments to the budget may be made without additional approvals from the Department of Education. The general fund budget was amended during the year. The Fund 2 [Special Revenue Funds] budget was amended to reflect new grants and other funding changes.

**NOTE 2**

**Budgetary comparison to actual for the special revenue funds represent the total comparison of all federal and state grant programs therein. The period of availability for the projects do not all coincide with the fiscal year of the District. Several of the projects have grant periods involving more than one fiscal year. Therefore, variances can occur.**

**NOTE 3**

**Actual results shown in the Budget Comparison do not reflect any on behalf payments made by the State of Kentucky for Teachers' Retirement, Health Insurance, Flex payments, Life Insurance, the Administrative Fees associated with those benefits, or Network Service. Actual transfers out do not reflect \$2,500,000 committed for future construction at June 30, 2014.**

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION  
 NOTES TO BUDGETARY COMPARISON SCHEDULES - CONTINUED  
 June 30, 2015

**Budget to Actual Reconciliation**

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

	<b>General Fund</b>
<b><u>Sources/inflows of resources:</u></b>	
Actual amounts (budgetary basis) "Total Revenues" from the budgetary comparison schedule	\$16,033,293
<b>Differences – budget to GAAP:</b>	
Payments made by the State of Kentucky on behalf of the District for Teachers Retirement, Health Insurance, Flex Payments, Life Insurance, the Administrative Fees, and Network Service are not budgeted by the District	3,267,441
<hr/>	
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances – General Fund	\$19,300,734
<hr/>	
<b><u>Uses/outflows of resources:</u></b>	
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$14,739,523
<b>Differences – budget to GAAP:</b>	
Payments made by the State of Kentucky on behalf of the District for Fringe Benefits, Network Service and Vocational Education are not budgeted by the District	3,267,441
<hr/>	
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance – General Fund	\$18,006,964
<hr/>	
<b><u>Transfers Out</u></b>	
Actual amounts (budgetary basis) "transfers out", from the budgetary comparison schedule	\$979,618
<b>Differences – budget to GAAP:</b>	
Amounts committed for future construction projects by the District at June 30, 2014 were not considered available and therefore not budgeted for current expenditures by the District.	2,500,000
<hr/>	
Transfers out as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund.	\$3,479,618
<hr/>	
<b><u>Fund Balance, June 30, 2014</u></b>	
Actual amounts (budgetary basis) fund balance, June 30, from the budgetary comparison schedule	\$3,358,982
<b>Differences – budget to GAAP:</b>	
Amounts committed for accrued sick leave and restricted for capital projects are not considered available and therefore not budgeted for current expenditures by the District/Estimated prior year difference.	2,584,500
<hr/>	
Fund balance as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund, June 30, 2014	\$5,943,482
<hr/>	

CARROLL COUNTY, KENTUCKY BOARD OF EDUCATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
Kentucky Teachers' Retirement System

June 30, 2015\*

District's proportion of the [State's] net pension liability (asset)	0.281%
District's proportionate share of the [State's] net pension liability (asset)	\$60,659,015
District's covered-employee payroll	\$9,250,846
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	655.71%
Plan fiduciary net position as a percentage of the total pension liability	45.60%

\*Calculations based on June 30, 2014, Kentucky Teachers' Retirement Systems Schedules of Employer Allocations and Pension Amounts by Employer and fiscal year 2014 District Payroll.

GASB 68 requires the District to present the above information for 10 years. The information will be expanded annually until a full 10-year trend is compiled.

CARROLL COUNTY, KENTUCKY BOARD OF EDUCATION

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS

Kentucky Teachers' Retirement System

Last Ten (10) Fiscal Years Ended June 30

	<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 contributions	\$ 1,457,307	\$ 1,361,196	\$ 1,270,866	\$ 1,190,426	\$ 1,139,167	\$ 1,093,453	\$ 1,066,444	\$ 1,085,878	\$ 1,004,571	\$ 950,507
Contractually required contributions made by the Board of Education (federal programs)	345,177	262,745	203,876	204,967	165,535	112,056	92,953	90,491	90,735	94,627
Contractually required contributions made by the Commonwealth of Kentucky	1,112,130	1,098,451	1,066,990	985,459	973,632	981,397	973,491	995,387	913,836	855,880
Contributions in relation to the contractually required contributions	1,457,307	1,361,196	1,270,866	1,190,426	1,139,167	1,093,453	1,066,444	1,085,878	1,004,571	950,507
Contribution deficiency (excess)	<u>\$ -</u>									
District's covered-employee payroll	\$ 9,330,821	\$ 9,250,846	\$ 8,933,560	\$ 8,631,844	\$ 8,462,883	\$ 8,291,610	\$ 8,085,557	\$ 8,300,563	\$ 7,681,770	\$ 7,263,606
Contributions as a percentage of covered-employee payroll	15.62%	14.71%	14.23%	13.79%	13.46%	13.19%	13.19%	13.08%	13.08%	13.08%

CARROLL COUNTY, KENTUCKY BOARD OF EDUCATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
County Employees Retirement System

June 30, 2015\*

District's proportion of the net pension liability (asset)	0.1575%
District's proportionate share of the net pension liability (asset)	\$5,111,000
District's covered-employee payroll	\$3,673,476
District's proportionate share of the net pension liability (asset) as a percentage of its of its covered-employee payroll	139.13%
Plan fiduciary net position as a percentage of the total pension liability	62.60%

\*Calculations based on June 30, 2014, County Employees Retirement Systems' Schedules of Employer Allocations and Pension Amounts by Employer and fiscal year 2014 District Payroll.

GASB 68 requires the District to present the above information for 10 years. The information will be expanded annually until a full 10-year trend is compiled.

CARROLL COUNTY, KENTUCKY BOARD OF EDUCATION

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS

County Employees Retirement System

Last Ten (10) Fiscal Years Ended June 30

	<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 contributions	\$ 663,535	\$ 693,921	\$ 686,154	\$ 648,089	\$ 565,926	\$ 515,886	\$ 415,536	\$ 488,578	\$ 372,169	\$ 290,478
Contributions in relation to the contractually required contributions	663,535	693,921	686,154	648,089	565,926	515,886	415,536	488,578	372,169	290,478
Contribution deficiency (excess)	<u>\$ -</u>									
District's covered-employee payroll	\$ 3,755,151	\$ 3,673,476	\$ 3,509,739	\$ 3,418,193	\$ 3,342,748	\$ 3,192,341	\$ 3,070,532	\$ 3,021,507	\$ 2,821,599	\$ 2,645,519
Contributions as a percentage of covered-employee payroll	17.67%	18.89%	19.55%	18.96%	16.93%	16.16%	13.53%	16.17%	13.19%	10.98%

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 June 30, 2015

	Capital Project Funds			Total Non-major Governmental Funds
	FSPK Fund	SEEK Capital Outlay Fund	District Activity Funds	
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ -	\$ 357,490	\$ 104,463	\$ 461,953
<b>TOTAL ASSETS</b>	<b>\$ -</b>	<b>\$ 357,490</b>	<b>104,463</b>	<b>\$ 461,953</b>
<b>LIABILITIES AND FUND BALANCES:</b>				
<b>LIABILITIES:</b>				
Accounts Payable	\$ -	\$ -	\$ 104	\$ 104
<b>TOTAL LIABILITIES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 104</b>	<b>\$ 104</b>
<b>FUND BALANCES:</b>				
Restricted for:				
KSFCC Escrow	\$ -	\$ 357,490	\$ -	\$ 357,490
Assigned	-	-	104,359	104,359
<b>TOTAL FUND BALANCES</b>	<b>\$ -</b>	<b>\$ 357,490</b>	<b>104,359</b>	<b>\$ 461,849</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ -</b>	<b>\$ 357,490</b>	<b>104,463</b>	<b>\$ 461,953</b>

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2015

	<u>Capital Project Funds</u>			Total Non-major Governmental Funds
	FSPK Fund	SEEK Capital Outlay Fund	District Activity Funds	
<b>REVENUES:</b>				
<b>From Local Sources:</b>				
<b>Taxes:</b>				
Property	\$ 361,956	\$ -	\$ -	\$ 361,956
Earnings on Investments	-	28	-	28
Intergovernmental - State	276,212	170,405	-	446,617
Student Activity Fund Receipts	-	-	195,717	195,717
<b>TOTAL REVENUES</b>	<u>\$ 638,168</u>	<u>\$ 170,433</u>	<u>\$ 195,717</u>	<u>\$ 1,004,318</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
Instruction	\$ -	\$ -	\$ 80,117	\$ 80,117
Support Services				
Instructional Staff	-	-	11,241	11,241
<b>TOTAL EXPENDITURES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>91,358</u>	<u>\$ 91,358</u>
<b>Excess (Deficit) of Revenues over Expenditures</b>	<u>\$ 638,168</u>	<u>\$ 170,433</u>	<u>\$ 104,359</u>	<u>\$ 912,960</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	\$ -	\$ -	\$ -	\$ -
Transfers Out	(638,168)	(54,417)	-	(692,585)
<b>TOTAL OTHER FINANCING SOURCES (USES):</b>	<u>\$ (638,168)</u>	<u>\$ (54,417)</u>	<u>\$ -</u>	<u>\$ (692,585)</u>
<b>Excess (Deficit) of Revenues &amp; Other Financing Sources Over Expenditures &amp; Other Financing Uses</b>	<u>\$ -</u>	<u>\$ 116,016</u>	<u>\$ 104,359</u>	<u>\$ 220,375</u>
<b>FUND BALANCE, JULY 1, 2014</b>	<u>-</u>	<u>241,474</u>	<u>-</u>	<u>241,474</u>
<b>FUND BALANCE, JUNE 30, 2015</b>	<u><u>\$ -</u></u>	<u><u>\$ 357,490</u></u>	<u><u>\$ 104,359</u></u>	<u><u>\$ 461,849</u></u>

**CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**DEBT SERVICE FUNDS**  
**For the Year Ended June 30, 2015**

	<u>ISSUE OF 2004</u>	<u>ISSUE OF 2005</u>	<u>ISSUE OF 2006</u>
<b>REVENUES:</b>			
Federal Interest Credit - Build America Bonds	\$ -	\$ -	\$ -
Intergovernmental State - On Behalf Revenues	31,312	146,830	51,888
<b>Total Revenue</b>	<b>\$ 31,312</b>	<b>\$ 146,830</b>	<b>\$ 51,888</b>
 <b>EXPENDITURES:</b>			
Debt Service			
Principal Retirement	\$ 20,000	\$ 95,000	\$ 30,000
Interest	11,312	51,830	21,888
Fiscal Agent Charges	-	-	-
<b>Total Expenditures</b>	<b>\$ 31,312</b>	<b>\$ 146,830</b>	<b>\$ 51,888</b>
 <b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
 <b>OTHER FINANCING SOURCES (USES)</b>			
Bond Proceeds	\$ -	\$ -	\$ -
Operating Transfers In	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
 <b>EXCESS (DEFICIT) OF REVENUES AND FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
 <b>FUND BALANCE JULY 1, 2014</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE JUNE 30, 2015</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

REFUNDING ISSUE OF 2007	REFUNDING ISSUE OF 2008	ISSUE OF 2010	ISSUE OF 2014	REFUNDING ISSUE OF 2014	TOTALS
\$ -	\$ -	\$ 44,928	\$ -	\$ -	\$ 44,928
61,288	42,317	19,864	112,763	59,225	525,487
<u>\$ 61,288</u>	<u>\$ 42,317</u>	<u>\$ 64,792</u>	<u>\$ 112,763</u>	<u>\$ 59,225</u>	<u>570,415</u>
\$ 55,000	\$ 395,000	\$ 5,515,000	\$ 75,000	\$ 185,000	6,370,000
25,100	45,360	219,746	89,910	24,274	489,420
-	-	48,580	-	-	48,580
<u>\$ 80,100</u>	<u>\$ 440,360</u>	<u>\$ 5,783,326</u>	<u>\$ 164,910</u>	<u>\$ 209,274</u>	<u>\$ 6,908,000</u>
\$ (18,812)	\$ (398,043)	\$ (5,718,534)	\$ (52,147)	\$ (150,049)	\$ (6,337,585)
\$ -	\$ -	\$ 5,645,000	\$ -	\$ -	\$ 5,645,000
18,812	398,043	73,534	52,147	150,049	692,585
<u>\$ 18,812</u>	<u>\$ 398,043</u>	<u>\$ 5,718,534</u>	<u>\$ 52,147</u>	<u>\$ 150,049</u>	<u>\$ 6,337,585</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES  
HIGH SCHOOL ACTIVITY FUNDS  
For the Year Ended June 30, 2015

ACCOUNTS:	Cash Balances	Receipts	Disbursements	Interfund Transfers	Cash Balances	Accounts	Accounts	Fund Balances
	July 1, 2014				June 30, 2015	Receivable June 30, 2015	Payable June 30, 2015	June 30, 2015
Academic Pep Rally	\$ -	\$ 54	\$ 47	\$ -	\$ 7	\$ -	\$ -	\$ 7
Academic Team	168	-	115	-	53	-	-	53
Ag Shop	80	-	67	-	13	-	-	13
Art Fees	665	773	1,438	-	-	-	-	-
Athletic-General	15,077	55,610	66,447	(2,922)	1,318	16	-	1,334
Athletic Banquet	-	500	-	-	500	-	-	500
Baseball	3,818	20,632	23,886	400	964	-	810	154
Basketball Booster	-	4,478	3,591	(659)	228	-	-	228
Boy's Basketball	4,268	4,543	9,112	1,620	1,319	-	-	1,319
CCHS Greenhouse	1,902	3,163	2,626	-	2,439	-	-	2,439
CCHD Print Shop	-	236	32	-	204	-	-	204
Champs	132	-	132	-	-	-	-	-
Charity/Donations	-	6	6	-	-	-	-	-
Cheerleaders	1,511	11,661	9,569	350	3,953	-	-	3,953
Chess Club	208	-	-	-	208	-	-	208
Cross Country	1	2,261	2,155	-	107	-	-	107
Drama Club	2,988	1,314	4,302	-	-	-	-	-
FEA Grant	114	-	-	-	114	-	-	114
FFA	441	7,731	8,084	-	88	-	-	88
Field Trips	-	2,297	2,297	-	-	-	-	-
Football	-	4,785	277	-	4,508	-	-	4,508
Foreign Language Club	19	-	-	-	19	-	-	19
Freshman Class	38	1,740	1,778	-	-	-	-	-
Golf-Boy's	1,132	142	1,274	-	-	-	-	-
Golf-Girl's	882	-	752	-	130	-	-	130
GRIT	-	23	-	-	23	-	-	23
Honor Guard	2,453	895	1,393	-	1,955	-	-	1,955
Junior Prom	7,505	8,945	16,480	-	-	-	-	-
Lady Panthers	2,231	12,600	12,255	1,061	3,637	-	45	3,592
Library	583	268	583	-	268	-	-	268
Mock Trial	110	-	-	-	110	-	-	110
NAS Tournament	-	2,362	2,340	-	22	-	-	22
National Honor Society	117	77	-	-	194	-	-	194
Pep Club	350	2,064	2,114	-	300	-	87	213
PLTW	163	10	163	-	10	-	-	10
Powder Puff Shirts	5	1,097	1,035	-	67	-	-	67
Principal's Fund	786	775	1,449	-	112	-	-	112
Prom Lock In	8	-	-	(8)	-	-	-	-
Relay For Life	-	106	106	-	-	-	-	-
Retirement Fund	88	-	88	-	-	-	-	-
Robotics	-	110	-	-	110	-	-	110
Scholarship Fund	1,900	4,500	3,400	250	3,250	-	-	3,250
Science Fees	52	-	52	-	-	-	-	-
Senior Shirts	-	362	198	(164)	-	-	-	-
Senior Trip	-	24,946	25,118	172	-	-	-	-
Soccer (Boy's)	2,568	4,257	3,293	-	3,552	-	195	3,357
Soccer (Girl's)	1,505	4,701	3,876	(100)	2,230	-	195	2,035
Softball	7,898	6,333	14,099	-	132	-	132	-
Special Needs	369	-	80	-	289	-	-	289
Special Olympics	52	-	52	-	-	-	-	-
STLP	610	-	-	-	610	-	-	610
Strenthe & Conditioning	-	250	250	-	-	-	-	-
Student Council	4	75	73	-	6	-	-	6
Student Fees	2,384	2,394	3,375	-	1,403	-	-	1,403
Student Vending	88	46	-	-	134	-	-	134
Sunshine Fund	109	125	234	-	-	-	-	-
Teacher Vending	140	261	386	-	15	-	-	15
Tennis	2,288	2,528	4,281	-	535	-	-	535
Text Books	2,388	312	2,593	-	107	-	-	107
Track	1,306	-	1,075	-	231	-	-	231
Volleyball	1,887	11,187	12,105	-	969	-	-	969
Y-CLUB	398	-	398	-	-	-	-	-
Yearbook	2,199	11,460	11,878	-	1,781	100	-	1,881
<b>Totals</b>	<b>\$ 76,008</b>	<b>\$ 224,995</b>	<b>\$ 262,779</b>	<b>\$ -</b>	<b>\$ 38,224</b>	<b>\$ 116</b>	<b>\$ 1,464</b>	<b>\$ 36,876</b>

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES  
MIDDLE SCHOOL ACTIVITY FUNDS  
For the Year Ended June 30, 2015

ACCOUNTS:	Cash Balances		Disbursements	Interfund Transfers	Cash Balances	Accounts Receivable	Accounts Payable	Fund Balances
	July 1, 2014	Receipts						
Academic Team	\$ 467	\$ 3,043	\$ 2,834	\$ (440)	\$ 236	\$ -	\$ -	\$ 236
Archery	24	-	-	-	24	-	-	24
Art	833	715	1,524	-	24	-	-	24
Athletic Fund	300	300	300	-	300	-	-	300
Baseball	32	3,657	2,565	-	1,124	-	575	549
Basketball-Boys	3,692	9,993	10,817	-	2,868	-	-	2,868
CCMS Band	601	11,365	12,393	429	2	-	-	2
CCMS Cheerleading	4,950	9,998	12,020	-	2,928	-	-	2,928
CCMS Softball	-	9,104	3,562	107	5,649	-	4,811	838
Outdoor	578	-	578	-	-	-	-	-
Chorus	110	145	281	26	-	-	-	-
Drama	599	140	600	-	139	-	-	139
Eighth Grade	3,435	42,933	45,354	25	1,039	-	-	1,039
Encore Team	2,211	1,773	3,561	11	434	-	-	434
Environmental Education	404	288	668	-	24	-	-	24
F.E.A.	261	-	261	-	-	-	-	-
Football	6,086	2,860	6,371	-	2,575	-	-	2,575
Girls Basketball	3,494	6,398	8,635	-	1,257	-	-	1,257
KY Jr. Historical	351	-	300	-	51	-	-	51
Library	322	4,714	4,989	-	47	-	-	47
Lighthouse	456	32	488	-	-	-	-	-
NJHS	32	400	348	-	84	-	-	84
Principal	1,666	3,220	2,982	(25)	1,879	-	-	1,879
Publication	558	3,417	3,248	-	727	-	-	727
Read A Latte	2	-	-	-	2	-	-	2
Recycling Fund	140	93	140	-	93	-	-	93
Renaissance	2,983	4,907	6,035	-	1,855	-	-	1,855
Seventh Grade	910	635	1,121	-	424	-	-	424
Sixth Grade	817	-	660	-	157	-	-	157
Soccer	2,463	589	816	-	2,236	-	-	2,236
STLP	361	-	40	-	321	-	-	321
Student Council	771	84	213	-	642	-	-	642
Track	531	620	837	-	314	-	-	314
GEMS Club	99	100	99	-	100	-	-	100
Vending-Teacher	211	2,198	1,983	(107)	319	-	-	319
Volleyball	4,861	4,244	6,173	(26)	2,906	-	-	2,906
Winterguard	-	1,455	1,434	-	21	-	-	21
<b>Totals</b>	<b>\$ 45,611</b>	<b>\$ 129,420</b>	<b>\$ 144,230</b>	<b>\$ -</b>	<b>\$ 30,801</b>	<b>\$ -</b>	<b>\$ 5,386</b>	<b>\$ 25,415</b>

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES  
CARTMELL ELEMENTARY SCHOOL ACTIVITY FUNDS  
For the Year Ended June 30, 2015

	Cash Balances July 1, 2014	Receipts	Disbursements	Interfund Transfers	Cash Balances June 30, 2015	Accounts Receivable June 30, 2015	Accounts Payable June 30, 2015	Fund Balances June 30, 2015
<b>ACCOUNTS:</b>								
4th Grade CCJP	\$ 899	\$ 5	\$ 899	\$ (5)	\$ -	\$ -	\$ -	\$ -
Book Fair	405	8,928	9,312	-	21	-	-	21
Bookstore	1,677	1,148	2,825	-	-	-	-	-
Celebration/Motivation	-	22,724	16,425	-	6,299	-	-	6,299
Cheerleading	397	760	781	-	376	-	-	376
Choose Kindness Libra	-	932	932	-	-	-	-	-
Dance Team	-	500	371	-	129	-	-	129
Engineering	445	-	445	-	-	-	-	-
Field Trips	432	1,975	2,407	-	-	-	-	-
Fun for the Arts	3,215	-	3,215	-	-	-	-	-
Military Club	8	-	-	(8)	-	-	-	-
Music	146	60	206	-	-	-	-	-
Playground	76	-	-	(76)	-	-	-	-
Principal Account	2,249	2,542	3,643	-	1,148	-	-	1,148
Reward Events	60	-	-	(60)	-	-	-	-
STEAM Camp	4,355	-	4,500	145	-	-	-	-
Vending Machines	85	738	823	-	-	-	-	-
Yearbook	270	2,185	2,014	-	441	-	-	441
Youth Basketball	5,761	5,461	7,630	4	3,596	-	-	3,596
<b>Totals</b>	<b>\$ 20,480</b>	<b>\$ 47,958</b>	<b>\$ 56,428</b>	<b>\$ -</b>	<b>\$ 12,010</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 12,010</b>

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES  
KATHRYN WINN PRIMARY SCHOOL ACTIVITY FUNDS  
For the Year Ended June 30, 2015

	Cash Balances July 1, 2014	Receipts	Disbursements	Interfund Transfers	Cash Balances June 30, 2015	Accounts Receivable June 30, 2015	Accounts Payable June 30, 2015	Fund Balances June 30, 2015
<b>ACCOUNTS:</b>								
2nd Grade Fund Raiser	\$ 35	\$ -	\$ -	\$ -	\$ 35	\$ -	\$ -	\$ 35
Book Clubs	252	259	260	-	251	-	-	251
Classroom Parties	-	344	300	-	44	-	-	44
Field Trips	1,821	13,401	13,541	-	1,681	-	-	1,681
Flower Fund	50	375	333	-	92	-	-	92
Leader In Me	-	1,300	1,300	-	-	-	-	-
Library	7,091	10,341	15,258	-	2,174	-	-	2,174
Market Day	771	367	867	-	271	-	-	271
Music	70	-	-	-	70	-	-	70
Nature's Vision	960	5,277	3,936	-	2,301	-	-	2,301
PE-Gym	-	3,747	4,072	469	144	-	-	144
Poster Maker	102	11	113	-	-	-	-	-
Principal's Fund	4,128	1,615	3,864	-	1,879	-	-	1,879
Relay for Life	-	1,076	607	(469)	-	-	-	-
STEM	-	96	32	-	64	-	-	64
STLP	87	-	83	-	4	-	-	4
Vending	139	1,212	755	-	596	-	-	596
Wisdom & Wonder	239	30	239	-	30	-	-	30
Yearbook	3,752	3,700	5,251	-	2,201	-	-	2,201
<b>Totals</b>	<b>\$ 19,497</b>	<b>\$ 43,151</b>	<b>\$ 50,811</b>	<b>\$ -</b>	<b>\$ 11,837</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 11,837</b>

**CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION  
BOARD MEMBERS AND ADMINISTRATIVE PERSONNEL  
For the Year Ended June 30, 2015**

**Board Members**

**Mona Kindoll, Chairperson**

**Carolyn Jones, Vice Chairperson**

**Rob Spenneberg**

**Drusilla Maiden**

**Mary Ann Pearson, left office, December 31, 2014**

**\*This position remains vacant.**

**ADMINISTRATIVE PERSONNEL**

**Mr. Bill Hogan, Superintendent of Schools**

**Doug Oak, Assistant Superintendent/Chief Administrative Officer**

**Jon Conrad, Chief Finance Officer**

**Tracie Crawford, Secretary to the Board**

# RAISOR, ZAPP & WOODS, PSC

Certified Public Accountants

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Jeffery C. Woods, CPA  
Susan A. Dukes, CPA

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

Kentucky State Committee For School District Audits  
Members of the Carroll County, Kentucky, Board of Education  
Carrollton, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the provisions of Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Carroll County, Kentucky, Board of Education, as of and for the year ended June 30, 2015, and the related notes to the financial statements which collectively comprise the Carroll County, Kentucky, Board of Education's basic financial statements and have issued our report thereon dated October 20, 2015.

### Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies (2015-001 and 2015-002).

**Compliance and Other Matters**

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

We noted certain other matters that we reported to management of Carroll County, Kentucky, Board of Education, in a separate letter dated October 20, 2015.

**Carroll County, Kentucky, Board of Education's Response to Findings**

Carroll County, Kentucky, Board of Education's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Carroll County, Kentucky, Board of Education's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**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.

*Raisor, Zapp & Woods, PSC*

**RAISOR, ZAPP & WOODS, PSC**  
Certified Public Accountants  
Carrollton, Kentucky

**October 20, 2015**

# RAISOR, ZAPP & WOODS, PSC

Certified Public Accountants

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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 School District Audits  
Members of the Carroll County, Kentucky, Board of Education  
Carrollton, Kentucky

### Report on Compliance for Each Major Federal Program

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

#### *Management's Responsibility*

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

#### *Auditor's Responsibility*

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

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

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

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency.

*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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2015-003 to be a significant deficiency.*

Carroll County, Kentucky, Board of Education's response to the internal control over the compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Carroll County, Kentucky, Board of Education's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

*Raisor, Zapp & Woods, PSC*

RAISOR, ZAPP & WOODS, PSC  
Certified Public Accountants  
Carrollton, Kentucky

October 20, 2015

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended June 30, 2015

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	MUNIS Project Number	Federal Expenditures
<b>U. S. Department of Education:</b>				
Pass-through Programs from the Kentucky Department of Education:				
<b>Title I, Part A:</b>				
Title I Grants to Local Educational Agencies	84.010	3100002 13	3104M	\$ 436
Title I Grants to Local Educational Agencies	84.010	3100002 14	310A	659,702
Title I Grants to Local Educational Agencies	84.010	3100002 14	310AM	6,386
<b>Sub-Total Title I Grants to Local Educational Agencies</b>				<b>\$ 666,524</b>
<b>Total Title I, Part A</b>				<b>\$ 666,524</b>
<b>Special Education Cluster (IDEA):</b>				
Special Education-Grants to States	84.027	3810002 12	3373	\$ 86
Special Education-Grants to States	84.027	3810002 13	3374	111,713
Special Education-Grants to States	84.027	3810002 14	337A	366,594
<b>Sub-Total Special Education-Grants to States</b>				<b>\$ 478,393</b>
Special Education-Preschool Grants	84.173	3800002 14	343A	\$ 17,788
Special Education-Preschool Grants	84.173	3800002 13	3434	691
<b>Sub-Total Special Education-Preschool Grants</b>				<b>\$ 18,479</b>
<b>Total Special Education Cluster (IDEA)</b>				<b>\$ 496,872</b>
Career and Technical Education-Basic Grants to States	84.048	3710002 14	348A	\$ 6,036
<b>Sub-Total Career and Technical Education-Basic Grants to States</b>				<b>\$ 6,036</b>
Twenty-First Century Community Learning Centers	84.287	3400002 12	5503U	\$ 9,025
Twenty-First Century Community Learning Centers	84.287	3400002 12	5503Z	6,875
Twenty-First Century Community Learning Centers	84.287	3400002 13	5504C	64,091
Twenty-First Century Community Learning Centers	84.287	3400002 13	5504U	180
Twenty-First Century Community Learning Centers	84.287	3400002 12	5503	11,308
Twenty-First Century Community Learning Centers	84.287	3400002 13	5504	94,190
Twenty-First Century Community Learning Centers	84.287	3400002 12	5503J	875
Twenty-First Century Community Learning Centers	84.287	3400002 12	5503C	25,874
<b>Sub-Total Twenty-First Century Community Learning Centers</b>				<b>\$ 212,418</b>
Improving Teacher Quality State Grants	84.367	3230002 13	4014	\$ 7,123
Improving Teacher Quality State Grants	84.367	3230002 14	401A	87,099
<b>Sub-Total Improving Teacher Quality State Grants</b>				<b>\$ 94,222</b>
Rural Education	84.358	3140002 13	3504	\$ 121
Rural Education	84.358	3140002 14	350A	39,674
<b>Sub-Total Rural Education</b>				<b>\$ 39,795</b>
English Language Acquisition State Grants	84.365	3300002 13	3454	\$ 4,873
English Language Acquisition State Grants	84.365	3300002 12	3453	21,910
English Language Acquisition State Grants	84.365	3300002 14	345A	12,310
<b>Sub-Total English Language Acquisition State Grants</b>				<b>\$ 39,093</b>
Race to the Top	84.413	3960002 11	4521	\$ 118
<b>Sub-Total Race to the Top, Recovery Act</b>				<b>\$ 118</b>
<b>Total Pass-through Programs from the Kentucky Department of Education</b>				<b>\$ 1,555,078</b>
<b>Pass-through Programs from the Green River Regional Educational Cooperative:</b>				
Race to the Top - District, Recovery Act	84.416A	N/A	436A	\$ 8,716
Race to the Top - District, Recovery Act	84.416A	N/A	4524	37,050
<b>Total Pass-through Programs from the Green River Regional Educational Cooperative</b>				<b>\$ 45,766</b>
<b>Total U.S. Department of Education</b>				<b>\$ 1,600,844</b>

(Continued Next Page)

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
 For the Year Ended June 30, 2015

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>MUNIS Project Number</u>	<u>Federal Expenditures</u>
<b>Pass-through Programs from the Kentucky Department of Education:</b>				
<b>Child Nutrition Cluster:</b>				
National School Lunch Program	10.555	7750002 15	N/A	\$ 468,092
National School Lunch Program	10.555	7750002 14	N/A	119,822
National School Lunch Program (Note B)	10.555	0575-02-02	N/A	75,339
Sub-Total National School Lunch Program				<u>\$ 663,253</u>
School Breakfast Program	10.553	7760005 15	N/A	\$ 172,715
School Breakfast Program	10.553	7760005 14	N/A	47,323
Sub-Total School Breakfast Program				<u>\$ 220,038</u>
Summer Food Service Program for Children	10.559	7690024 14	N/A	\$ 793
Summer Food Service Program for Children	10.559	7740023 14	N/A	7,718
Sub-Total Summer Food Service Program for Children				<u>\$ 8,511</u>
Total Child Nutrition Cluster				<u>\$ 891,802</u>
Total Pass-through Programs from the Kentucky Department of Education				<u>\$ 891,802</u>
Total U.S. Department of Agriculture				<u>\$ 891,802</u>
<b><u>U.S. Department of Health and Human Services:</u></b>				
<b>Direct Programs:</b>				
Drug-Free Communities Support Program Grants	93.276	N/A	500AA	\$ 75,737
Drug-Free Communities Support Program Grants	93.276	N/A	5003A	34,550
Drug-Free Communities Support Program Grants	93.276	N/A	5004A	54,989
Sub-Total Drug-Free Communities Support Program Grants				<u>\$ 165,276</u>
<b>Head Start:</b>				
Head Start	93.600	N/A	655A	\$ 673,153
Head Start	93.600	N/A	6554	17,822
Sub-Total Head Start				<u>\$ 690,985</u>
Early Head Start	93.600	N/A	644A	\$ 1,013,966
Early Head Start	93.600	N/A	6444	81,631
Sub-Total Early Head Start				<u>\$ 1,095,597</u>
Total Direct Programs Head Start:				<u>\$ 1,786,582</u>
Total Direct Programs from the U.S. Department of Health and Human Services				<u>\$ 1,951,858</u>
<b><u>Institute of Museum and Library Services:</u></b>				
<b>Direct Program:</b>				
Laura Bush 21st Century Librarian Program	45.313	N/A	0120	\$ 15,392
Total Laura Bush 21st Century Librarian Program				<u>\$ 15,392</u>
Total Direct Programs from the Institute of Museum and Library Services				<u>\$ 15,392</u>
Total Expenditures of Federal Awards				<u>\$ 4,459,896</u>

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION  
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended June 30, 2015

**Note A: Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Carroll County, Kentucky, Board of Education under programs of the federal government for the year ended June 30, 2015, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Because the Schedule presents only a selected portion of the operations of the Carroll County, Kentucky, Board of Education, it is not intended to and does not present the financial position, changes in net position, or cash flows of Carroll County, Kentucky, Board of Education.

**Note B: Food Distribution**

Nonmonetary assistance of the commodities used in the School Food Service Program are reported at the fair market value of commodities received and disbursed.

**Note C: Insurance**

Other than the non-cash assistance described in Note B, Carroll County, Kentucky, Board of Education had not received any other federal awards in the form of non-cash assistance, insurance contracts or loans and loan guarantees for the year ended June 30, 2015.

**Note D: Build America Bonds**

The Carroll County, Kentucky, Board of Education received \$44,928 in interest credit payments toward the debt service payments made on its School Building Revenue Bonds, Series of 2010 (Build America Bonds), for the year ended June 30, 2015. These payments are not included in the accompanying schedule of expenditures of federal awards.

**Note E: Subrecipients**

Of the federal expenditures presented in the Schedule, Carroll County Board of Education provided federal awards to Subrecipients as follows:

CFDA No.	Program Name	Amount Provided
45.313	Institute of Museum and Library Services Laura Bush 21 <sup>st</sup> Century Librarian Program	\$15,392

Provided to Ohio Valley Educational Cooperative to administer continuing education and training for twenty-nine schools in seven area school districts and six county public libraries.

**Note F: School-Based Administrative Claiming Program**

Not included in the accompanying schedule of expenditures of federal awards is \$48,563 of federal reimbursements for General Fund expenditures related to Carroll County, Kentucky, Board of Education's participation in the Medicaid School-Based Administrative Claiming program through the Kentucky Department of Education and Kentucky Department for Medicaid Services.

**Note G: Drug Free Communities Support Program Grants**

In September, 2015, the District was notified that funding for its Drug Free Communities Support Program was discontinued.

**CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2015**

**A. SUMMARY OF AUDITOR'S RESULTS:**

1. The auditor's report expresses an unmodified opinion on the financial statements of the Carroll County, Kentucky, Board of Education.
2. Two significant deficiencies disclosed during the audit of the financial statements are reported in the 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*. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of Carroll County, Kentucky, Board of Education, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. One significant deficiency in internal control over a major federal award program was disclosed during the audit and reported in the 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 award programs for Carroll County, Kentucky, Board of Education expresses an unmodified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs were:

	CFDA No.
Special Education Cluster (IDEA)	
Special Education - Grants to States (IDEA, Part B)	84.027
Special Education – Preschool Grants (IDEA Preschool)	84.173
Head Start	93.600
Drug-Free Communities Support Program Grants	93.276

8. The threshold used for distinguishing between Type A and Type B programs was \$300,000.
9. The Carroll County, Kentucky, Board of Education did not qualify as a low risk auditee.

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
For the Year Ended June 30, 2015

**B. FINDINGS - FINANCIAL STATEMENTS AUDIT**

**SIGNIFICANT DEFICIENCIES**

**Government Auditing Standards**

**2015-001 Segregation of Duties and Checking Procedures**

*Condition:* Checking procedures and rotation of duties are limited due to the size of the District's administrative staff and responsibilities associated with individual positions. Administrative review procedures have not been documented in all cases. This condition was also cited as a significant deficiency in the schedule of findings and questioned costs for the year ended June 30, 2014 as Item 2014-001.

*Criteria:* Internal controls should be implemented to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and allow the preparation of financial data consistent with management assertions.

*Cause:* Time constraints and responsibilities associated with individual positions limit the availability of individuals to rotate duties and perform checking/review procedures.

*Effect:* Instances were observed where Board policy was not followed and/or interpretation thereof, not documented in relation to Board transactions. Personnel rank and experience were not updated in all cases. The effects of changes in employment status were not always handled properly. Isolated instances were identified where personnel were paid incorrectly.

*Recommendation:* Management should strive to separate duties and implement checking procedures as staff and cost benefits allow. Review procedures performed should be documented.

*Views of Responsible Officials and Planned Corrective Actions:* We concur with the recommendation. Procedures will be modified to separate duties. Additionally, documentation will be maintained when review procedures are performed.

**2015-002 Failure to Prepare a Complete Set of Financial Statements Including Required Note Disclosures**

*Condition:* District government-wide financial statements, including the required disclosures are prepared as part of the annual audit. This condition was also cited as a significant deficiency in the schedule of findings and questioned costs for the year ended June 30, 2014 as item 2014-002.

*Criteria:* Internal controls should be in place to provide management with reasonable, but not absolute, assurance that financial statements and required notes are prepared in accordance with generally accepted accounting principles.

*Cause:* The District prepares governmental fund financial statements for its' annual financial report. However, the draft accrual basis (government-wide) financial statements and disclosures are prepared during the audit process. Entries are not entered into the District's MUNIS System.

*Effect:* Management engaged the auditor to prepare draft financial statements and related notes. Management reviewed, approved and accepted responsibility for the financial statements prior to their issuance.

*Recommendation:* The outsourcing of this service is not unusual for a District this size and is a result of management's cost benefit decision to use others' accounting expertise rather than incur internal resource costs. We recommend that District management continue to enhance its knowledge of reporting requirements in providing oversight of this service.

*Views of Responsible Officials and Planned Corrective Actions:* We concur with the recommendation and continue to improve our overall accounting knowledge in performing our oversight responsibilities.

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
For the Year Ended June 30, 2015

**B. FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)**

**COMPLIANCE ISSUES**

**COMPLIANCE AND OTHER MATTERS**

NONE

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

**SIGNIFICANT DEFICIENCIES**

**2015-003 Checking Procedures**

U. S. Department of Health and Human Resources: Direct Program, Drug-Free Communities Support Program Grants, CFDA #93.276, Grant periods September 30, 2012 to September 29, 2013, September 30, 2013 to September 29, 2014, and September 30, 2014 to September 29, 2015, respectively.

*Condition:* Administrative review procedures have not been implemented and/or documented in all cases.

*Criteria:* Internal controls should be implemented to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and allow the preparation of financial data consistent with management assertions. A person knowledgeable of the program should review expenditures to determine that they are reasonable, allowable, and adequately documented.

*Cause:* Time constraints and responsibilities associated with individual positions limit the availability of individuals to perform checking/review procedures. Grant administration responsibilities were not communicated properly to all staff.

*Effect:* In-kind documentation was not reviewed and assessed as to the underlying criteria for inclusion and accuracy of computation in a timely manner. This limitation may affect the program's compliance with the matching requirements of the grant. Expenditures requested should be reviewed in relation to allowable costs of the program and timeliness as to use within the program.

*Recommendation:* Management should strive to implement checking procedures. Grant compliance and reporting responsibilities should be identified and clearly defined. Compliance requirements should be reviewed throughout the grant period by an individual knowledgeable of federal grant requirements. Expenditures made should benefit grant goals and participants of the program during the grant period. Adequate documentation should be retained and accessible. All required matching or cost-sharing should be documented similar to the grant's federal expenditures. All program expenditures should be documented to provide verification that they are necessary and reasonable for proper and efficient accomplishment of the program objectives. Review procedures performed should be documented.

*View of Responsible Officials and Planned Corrective Actions:* We concur with the recommendation. Procedures will be modified to implement checking procedures. Additionally, documentation will be maintained when review procedures are performed.

**COMPLIANCE**

NONE

**CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Year Ended June 30, 2015**

**SIGNIFICANT DEFICIENCIES**

**NONE**

**COMPLIANCE**

**NONE**

# RAISOR, ZAPP & WOODS, PSC

Certified Public Accountants

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Dennis S. Raisor, CPA  
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Susan A. Dukes, CPA

Kentucky State Committee for School District Audits  
Members of the Carroll County, Kentucky, Board of Education  
Carrollton, Kentucky

In planning and performing our audit of the financial statements of the Carroll County, Kentucky, Board of Education as of and for the year ended June 30, 2015, we considered the Board's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

We found the Board's accounting system to be capable of providing essential information for effective operating and financial control of the District's operations. At the same time, we observed certain areas where procedural modifications or revisions might provide better internal control. This letter summarizes our comments and suggestions regarding those matters.

We previously reported on the Board's internal control in a separate report dated October 20, 2015. This letter does not affect our report dated October 20, 2015, on the financial statements of the Carroll County, Kentucky, Board of Education.

In our previous audit:

- We noted that requests for federal reimbursements of expenditures in the Head Start program had not been filed timely (monthly) in all cases, causing the District to finance the program out of its own funds for extended periods. Although improvement was noted in the current year, instances were observed where requests for federal reimbursements of expenditures were for two months.
- We noted that the federal audit clearinghouse report had experienced technical difficulties with its audit submission program, resulting in the District filing its report late. The report was filed timely for the current year.
- We noted that the Board had not approved the school food service pricing for ala carte and new items. Board approval was noted of the ala carte pricing in the current year.
- We noted that a physical count of equipment had not been performed. A physical review of the District's equipment was performed.
- We recommended increasing control over inventory of food items and supplies in the school food service program by having spot checks performed throughout the year by the Director or her assistant, noting items reviewed. This process was not implemented during the year.
- We noted that a fully executed contract was not available for a significant service provider in the prior year. The approved contract for the 2014-15 year was observed.

- We noted that change orders were included in the adjusted contract sum listed on construction draws prior to documentation that all necessary approvals had been received. A similar instance was observed on construction draws for change orders awaiting state approval.
- We noted glitches in the new vendor approval process, noting that the accounts payable clerk had been setting up new vendors. Improvement was noted during the current year as this responsibility was assumed by a separate individual. Of the new vendors reviewed, we noted that all had been checked to the Excluded Party List System.
- We noted that insurance coverage had not been added for a new modular classroom acquired during the previous year. No similar instances were observed during the current year.

**In the current year:**

- In our review of the School Food Service, we observed that a significant decrease in sales was not accompanied by a proportionate decrease in food and supplies purchased. The School Food Service is a business enterprise. Financial reports should be analytically reviewed monthly to determine that the gross profit associated with sales is consistent, and if not, to identify and document possible problems in a timely manner. Also, production reports should be reviewed to analyze that food purchases are in line with sales and that there is no excessive waste.
- In our review of the IDEA program it was identified that no individual has been identified to track early intervention services for the program. While no federal funds have been identified as being used for early intervention services, procedures should be identified to track these expenditures should they occur.
- In our review of the Champions for a Drug Free Carroll County grant it was observed that a donation to a local organization was made. Donations are not an allowed cost of the program. Federal guidelines should be reiterated to all personnel and followed for all transactions. It was also observed that a significant purchase of furniture was made for the program that had not been used (still in boxes). Per discussion with administrators, repairs to the facility where it was to be used, were not timely made resulting in the delay of its use. The grant has since not been renewed. The District should consider, with the aid of federal guidance, if the furniture should be returned, used in another federal program, used in another district capacity, used in the nonfederal Champions program, or if the fair market value of the furniture should be returned to the federal government.

**In the area of payroll:**

- An instance was observed where an employee working in the system had not been entered into the payroll system for payment. Approval of a new position was noted in the Board minutes, as well as the employment of an employee for the position. However, procedures were not implemented to assure that the payroll department and/or the appropriate grant bookkeeper was notified of all approved changes in personnel: new employee, or changes in duties, hours, salary rates, etc. in a timely fashion. During our audit fieldwork new procedures were being implemented to address this need.
- Instances were observed where employees were not paid in accordance with District policy: Two previously retired employees were paid for accumulated sick leave upon their second retirement.

- In our payroll sample an instance was observed where a teacher's rank was not correct as to the documentation in the personnel file. The teacher was paid at a lower rank than the actual rank he held, resulting in an underpayment for the services performed. The documentation of experience is not presented well in the personnel files, allowing for errors. Frequently there are several records in an individual's file documenting their experience, education, etc. We recommend that the District implement enhanced files for personnel that would allow for binding such documents down in a [sequential] order to easily identify degrees/rank, contract, etc. We also recommend that the District have all employees sign off annually on their job description. Duties change frequently. This can insure that both the District and the employee understand expectations of the position.
- The policy of the District for sick leave is vague and should be reviewed. During our audit an instance was observed where an employee on leave at the beginning of the year was granted and paid accrued leave days for the upcoming school year, but did not return to the District for employment as anticipated. This same error resulted in an overpayment for unworked days.
- Cash handling and control procedures should be reiterated to all district personnel involved in collecting cash from students and remitting to the appropriate bookkeeper. Multiple receipts should be signed by the students where applicable. The bookkeeper and the individual remitting the cash to the bookkeeper should count the money together. Money should be deposited in accordance with Red Book requirements: daily if receipts exceed \$100, weekly, if less than \$100. Reconciliations should be performed and reviewed when appropriate.
- Every fundraiser, including school wide fundraisers, need an advisor responsible for collecting funds and reconciling to sales/purchases to maintain control and separation from the school treasurer.

Although we have indicated some items for review as observed during the audit process, we would like to take this opportunity to compliment the Board on the conscientious attitude of its employees. The staff, as always, was most cordial and cooperative with us throughout the audit process.

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

*Raisor, Zapp & Woods, PSC*

**RAISOR, ZAPP & WOODS, PSC**  
Certified Public Accountants  
Carrollton, Kentucky

October 20, 2015



## Carroll County Board of Education

Mr. William J. Hogan, Superintendent  
Mr. Doug Oak, Assistant Superintendent  
Mr. Larry Curell, DPP/Chief Operations Officer  
Mrs. Gerda Wise, Elementary Instructional Supervisor  
Mr. Jon Conrad, Chief Financial Officer  
Mrs. Kathy Bieger, Director of Special Education

October 28, 2015

Kentucky State Committee for School District Audits:

In response to the findings noted in the auditors' management letter for the year ended June 30, 2015, we submit the following:

Significant Deficiency 2015-001

- Segregation of Duties and Checking Procedures

In response to this item, the district will address this issue by enhancing our personnel file record keeping system and develop review procedures. Documentation will be maintained when reviews are performed.

Significant Deficiency 2015-002

- Failure to prepare a complete set of financial statements, including the required disclosures that are prepared as part of the annual audit.

In response to this item, the district's decision to outsource the preparation of the complete set of financial statements is a cost-benefit decision, as this is not a requirement of the Kentucky Department of Education.

Significant Deficiency 2015-003

- Administrative review procedures have not been implemented and/or documented in all cases related to the Drug-Free Communities Support Program.

In response to this item, the district management will review expenditures in relation to allowable costs. Compliance requirements will be reviewed throughout the grant period. In-Kind contributions will be reviewed by an individual knowledgeable of the program to determine that they are reasonable and allowable. Review procedures performed will all be documented.



## Carroll County Board of Education

Mr. William J. Hogan, Superintendent  
Mr. Doug Oak, Assistant Superintendent  
Mr. Larry Curell, DPP/Chief Operations Officer  
Mrs. Gerda Wise, Elementary Instructional Supervisor  
Mr. Jon Conrad, Chief Financial Officer  
Mrs. Kathy Bieger, Director of Special Education

Although there have been some recommendations implemented as a result of prior years' audits, our auditors' management letter cited areas where changes in procedures would provide the district with increased accountability. The Superintendent and Chief Financial Officer are going to meet with all appropriate district personnel to address the findings contained within the auditors' management letter. Monitoring to ensure compliance will be performed throughout the year. Therefore, the corrective action completion date for the following items is June 30, 2016. The following provides a review of our auditors' management letter followed by the district response:

- In the review of School Food Service, it was identified that a significant decrease in sales was not accompanied by a proportionate decrease in food and supplies purchased.

**Response: The Chief Financial Officer will work closely with Director of School Food Service to review revenue and expense on a monthly basis. Production reports will also be reviewed and documentation of the review will be maintained.**

- In review of the IDEA program it was identified that no individual has been identified to track early intervention services for the program.

**Response: The Chief Financial Officer will work with the Director of Special Education to institute a system for the tracking of early intervention services. However, no federal funds have been expended for early intervention services.**

- In the review of the Champions for a Drug Free Carroll County grant, it was discovered that a donation to a local organization was made. It was also observed that a significant furniture purchase was made and had not been put into use.

**Response: Allowable program costs have been reviewed with the appropriate personnel. Expenditures will be reviewed for compliance. Due to necessary repairs to the existing Champions facility, the furniture was not assembled and put into use as quickly as the district had anticipated.**



## Carroll County Board of Education

Mr. William J. Hogan, Superintendent  
Mr. Doug Oak, Assistant Superintendent  
Mr. Larry Curell, DPP/Chief Operations Officer  
Mrs. Gerda Wise, Elementary Instructional Supervisor  
Mr. Jon Conrad, Chief Financial Officer  
Mrs. Kathy Bieger, Director of Special Education

- In the review of payroll, it was observed where an employee working in the system had not been entered into the payroll system for payment.

**Response: During the audit fieldwork new procedures were being developed to address this area of need.**

- In the review of payroll, two previously retired employees were paid for accumulated sick leave upon their second retirement.

**Response: Policies have been reviewed with the appropriate personnel to address this area of need. In addition, the administration will distribute the policy to staff as necessary.**

- In review of the payroll sample, it was observed where a teacher's rank was not correct as to the documentation in the personnel file.

**Response: New procedures are being developed to enhance the personnel files that will include binding of documents in a sequential order. As duties change frequently, the district will now have employees sign off on their job description on an annual basis.**

- In a review of the District sick leave policy, it appears to be vague and should be reviewed. An instance was observed where an employee on leave at the beginning of the school year was paid accrued leave days but did not return to the district as anticipated.

**Response: The District sick leave policy will be reviewed and modified as necessary.**

- In review of school activity funds, cash handling and control procedures should be reiterated to all district personnel involved in collecting cash from students. Reconciliations should be performed and reviewed when appropriate.

**Response: The Chief Financial Officer has already reviewed cash handling and control procedures with one School Principal and Bookkeeper, and will have review meetings with the other three schools by November 13, 2015.**



## Carroll County Board of Education

Mr. William J. Hogan, Superintendent  
Mr. Doug Oak, Assistant Superintendent  
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Mrs. Gerda Wise, Elementary Instructional Supervisor  
Mr. Jon Conrad, Chief Financial Officer  
Mrs. Kathy Bieger, Director of Special Education

- In review of fundraisers, including school wide fundraisers, needs an advisor responsible for collecting funds and reconciling to sales. This advisor cannot be the same person as the school bookkeeper.

**Response: The Chief Financial Officer has already reviewed fundraising procedures with one School Principal and Bookkeeper, and will have review meetings with the other three schools by November 13, 2015.**

We are pleased to note that many of the prior-year findings were eliminated through implementation of additional controls. We continually strive for improvement in the areas addressed within this audit.

Sincerely,

A handwritten signature in black ink that reads "William J. Hogan". The signature is fluid and cursive, with the first name being the most prominent.

Mr. William Hogan, Superintendent