

CARTER COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

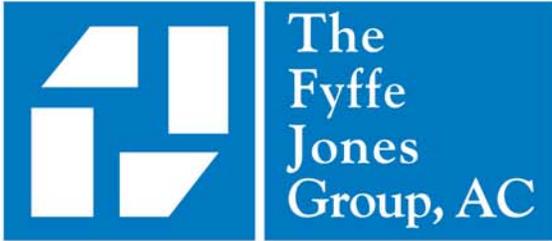
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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INDEPENDENT AUDITORS' REPORT

Kentucky State Committee for
School District Audits
Members of the Board of Education
Carter County School District
Grayson, Kentucky

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the "Auditor Responsibilities" Section of the *Kentucky Public School Districts' Audit Contract and Requirements*. 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 Carter County School District, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, effective July 1, 2014. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension information on pages 4 through 7 and 42 through 46 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 Carter County School District's basic financial statements.

The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The statements of changes in assets and liabilities – school activity funds 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.

These statements and schedule are management’s responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these statements and schedules to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling schedules directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, these statements and schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2015, on our consideration of the District's internal control over financial reporting and our testing of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

The Fyffe Jones Group, AC

THE FYFFE JONES GROUP, AC

Ashland, Kentucky
December 18, 2015

CARTER COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

FINANCIAL HIGHLIGHTS

- The beginning unassigned fund balance for Governmental Activities was \$2,283,362 ending the Fiscal Year on June 30, 2014.
- The ending unassigned fund balance for Governmental Activities increased \$380,571 to a balance of \$2,663,933 ending the Fiscal Year on June 30, 2015.
- The district attributes the increase of unassigned fund balance to school busses that had been ordered but not received and facility and grounds maintenance projects that began later than anticipated due the lateness of the actual school ending date.
- The beginning district-wide net position including capital assets and related long term debt as restated was \$8,648,882 ending the Fiscal Year June 30, 2014.
- The ending district-wide net position increased \$159,090 to \$8,807,972 ending the Fiscal Year June 30, 2015.
- The slight increase in net position was caused by a decrease in net pension liability, facility and grounds maintenance projects that began later than anticipated due the lateness of the actual school ending date.
- The fundable average daily attendance for the Fiscal Year ended June 30, 2014 was 4,162.
- The fundable average daily attendance decreased to 4,115 for the 2015 Fiscal Year.
- During the 2015 Fiscal Year Carter County Board of Education expended \$834,508 for capital projects that included; Phase II renovations and additions of Star Elementary School and a storage building at West Carter High School.

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, deferred outflows of resources, liabilities, and deferred inflow of resources. Net position is reported as assets plus deferred outflows of resources minus liabilities minus deferred inflows of resources. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities

CARTER COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

of the District include instruction, support services, operation and maintenance of facilities, student transportation, and operation of non-instructional services. Fixed assets and related debt are also supported by taxes and intergovernmental revenues. The government-wide financial statements can be found on pages 8 and 9 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. The state has mandated a uniform system (MUNIS administrative software) and chart of accounts for all Kentucky public school districts. 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, and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The District's only proprietary fund is food service operations. All other activities of the District are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 10 through 16 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 financial statements can be found on pages 19 through 41 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 \$8,807,973 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 is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

Net Position for the periods ending June 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>Restated 2014</u>
Current Assets	\$ 5,994,181	\$ 9,055,345
Noncurrent Assets	54,263,144	53,443,633
Total Assets	<u>\$ 60,257,325</u>	<u>\$ 62,498,978</u>
Deferred Outflows of Resources	\$ -	\$ -
Current Liabilities	\$ 3,371,391	\$ 3,779,665
Long-Term Liabilities	48,237,052	49,891,340
Total Liabilities	<u>51,608,443</u>	<u>53,671,005</u>
Deferred Inflows of Resources	\$ -	\$ -
Total Net Position	<u>\$ 8,648,882</u>	<u>\$ 8,827,973</u>

CARTER COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

FUND FINANCIAL ANALYSIS

Comments on Budget Comparisons:

- The District's total revenues for the fiscal year ended June 30, 2015, net of inter-fund transfers, were \$48,085,179.
- General fund budget compared to actual revenue varied from line item to line item with the ending actual balance being \$973,168 more than budget.
- General fund budget compared to actual expenditures varied from line item to line item with the ending actual balance being \$65,887 more than budget.
- General fund budget compared to actual other financing sources (uses) varied from line item to line item with the ending balance being \$1,550 less than budget.
- The general fund net position was \$904,595 more favorable than budget.

The following table presents a summary of the General Fund's revenues and expenses for the fiscal years ending:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Revenues:		
Taxes	\$ 6,014,298	\$ 5,906,958
State Aid Formula Grants	29,506,601	28,418,497
Operating Grants and Contributions	8,169,822	8,505,826
Capital Grants and Contributions	3,738,842	3,788,768
Charges for Services	273,614	157,054
Investment Earnings	38,439	20,538
Other	343,563	536,881
Total Revenues	<u>\$ 48,085,179</u>	<u>\$ 47,334,522</u>
Expenses:		
Instruction	25,991,289	25,237,592
Student Support Services	1,771,407	1,765,899
Staff Support	1,389,561	1,513,392
District Administration	714,334	601,513
School Administration	2,290,276	2,346,066
Business Support	718,190	726,041
Plant Operations	3,977,775	7,588,609
Student Transportation	3,284,485	3,344,740
Food Service Operations	2,901,045	2,723,379
Community Support	425,378	413,589
Facility Acquisition and Construction	2,486,835	-
Interest on Long Term Debt	1,890,394	1,647,900
Other	85,120	87,614
Total Expenses	<u>\$ 47,926,089</u>	<u>\$ 47,996,334</u>
Excess (Deficiency) of Revenues Over (Under) Expenses	<u>\$ 159,090</u>	<u>\$ (661,812)</u>

General Fund Revenue

The majority of revenue was derived from state-aid formula grants funding of 61%, with local taxes making up 12.5% of total revenue.

CARTER COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

School Allocation

Instructional accounts were 54% of the school level expenditures.

FUTURE 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 \$2,100,000 in contingency. The General Fund cash balance for the beginning the 2015-2016 fiscal year is \$2,526,370. The District is constantly looking to upgrade facilities in the District as funds become available.

Questions regarding this report should be directed to the Superintendent at (606) 474-6696, or to the Finance Director at (606) 474-6696, or by mail at 228 South Carol Malone Blvd., Grayson, KY 41143.

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

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 5,820,179	\$ 711,854	\$ 6,532,033
Investments Held for the Retirement of Debt	998,145	-	998,145
Receivables (net of allowances for uncollectibles):			
Property Taxes	130,445	-	130,445
Intergovernmental - State	71,343	-	71,343
Accounts	803,882	-	803,882
Inventories	-	51,008	51,008
Prepaid Expenses	468,489	-	468,489
Capital Assets, Not Being Depreciated	2,483,471	-	2,483,471
Capital Assets, Being Depreciated, Net	49,255,144	206,156	49,461,300
Total Assets	<u>\$ 60,031,098</u>	<u>\$ 969,018</u>	<u>\$ 61,000,116</u>
Deferred Outflows of Resources:			
Deferred Pension Contributions	884,315	142,132	1,026,447
Total Deferred Outflows of Resources	<u>884,315</u>	<u>142,132</u>	<u>1,026,447</u>
Liabilities:			
Accounts Payable	\$ 719,964	\$ 5,365	\$ 725,329
Unamortized Bond Premium	129,483	-	129,483
Accrued Payroll and Related Expenses	251,835	-	251,835
Noncurrent Liabilities:			
Net Pension Liability	6,982,705	1,122,295	8,105,000
Portion Due or Payable Within One Year:			
Debt Obligations	1,995,000	-	1,995,000
Accrued Sick Leave	199,750	-	199,750
Interest Payable	272,143	-	272,143
KSBIT Assessment Payable	55,517	-	55,517
Portion Due or Payable After One Year:			
Debt Obligations	38,560,000	-	38,560,000
KSBIT Assessment Payable	122,097	-	122,097
Accrued Sick Leave	1,451,402	-	1,451,402
Total Liabilities	<u>\$ 50,739,896</u>	<u>\$ 1,127,660</u>	<u>\$ 51,867,556</u>
Deferred Inflows of Resources:			
Grant Revenue Received in Advance	170,608	-	170,608
Deferred Pension Investment Earnings	779,685	125,315	905,000
Deferred Gain on Refunding of Debt	275,426	-	275,426
Total Deferred Inflows of Resources	<u>1,225,719</u>	<u>125,315</u>	<u>1,351,034</u>
Net Position:			
Invested in Capital Assets, Net of Related Debt	\$ 3,016,975	\$ 206,156	\$ 3,223,131
Restricted - Other	63,244	-	63,244
Restricted - Nonspendable Prepaids	468,489	-	468,489
Restricted - Nonspendable Inventories	-	51,008	51,008
Restricted - Future Construction	3,268,890	-	3,268,890
Unrestricted	2,132,200	(398,989)	1,733,211
Total Net Position	<u>\$ 8,949,798</u>	<u>\$ (141,825)</u>	<u>\$ 8,807,973</u>

See Notes to the Basic Financial Statements.

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

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instructional	\$ 25,991,288	\$ 132,998	\$ 4,334,136	\$ 66,792	\$ (21,457,362)	\$ -	\$ (21,457,362)
Support Services:							
Students	1,771,407	-	216,576	50,000	(1,504,831)	-	(1,504,831)
Instructional Staff	1,389,562	-	230,300	-	(1,159,262)	-	(1,159,262)
District Administration	714,334	-	-	-	(714,334)	-	(714,334)
School Administration	2,290,276	-	-	-	(2,290,276)	-	(2,290,276)
Business and Other Support Services	718,190	-	21,320	-	(696,870)	-	(696,870)
Operation and Maintenance of Plant	3,977,775	-	45,907	105,669	(3,826,199)	-	(3,826,199)
Student Transportation	3,284,485	-	42,903	363,847	(2,877,735)	-	(2,877,735)
Food Service	729	-	-	-	(729)	-	(729)
Community Services	425,378	-	426,285	-	907	-	907
Facility Acquisition and Construction	2,486,836	-	-	3,152,534	665,698	-	665,698
Debt Service	1,890,394	-	-	-	(1,890,394)	-	(1,890,394)
Total Government Activities	44,940,654	132,998	5,317,427	3,738,842	(35,751,387)	-	(35,751,387)
Business-Type Activities:							
Food Service	2,900,316	140,616	2,852,395	-	-	92,695	92,695
Total Business-Type Activities	2,900,316	140,616	2,852,395	-	-	92,695	92,695
Total School District	\$ 47,840,970	\$ 273,614	\$ 8,169,822	\$ 3,738,842	(35,751,387)	92,695	(35,658,692)
General Revenues							
Taxes					6,014,298	-	6,014,298
Intergovernmental Revenues					29,506,601	-	29,506,601
Investment Earnings					37,422	1,017	38,439
Miscellaneous					333,504	-	333,504
KSBIT					(85,120)	-	(85,120)
Gain on Sale of Assets					10,060	-	10,060
Total General Revenues					\$ 35,816,765	\$ 1,017	\$ 35,817,782
Change In Net Position					65,378	93,712	159,090
Net Position, June 30, 2014					15,844,885	888,483	16,733,368
Prior Period Adjustments (See Note 2)					(6,960,465)	(1,124,020)	(8,084,485)
Net Position, June 30, 2014, as restated					8,884,420	(235,537)	8,648,883
Net Position, June 30, 2015					\$ 8,949,798	\$ (141,825)	\$ 8,807,973

See Notes to the Basic Financial Statements.

CARTER COUNTY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 2,526,370	\$ (450,147)	\$ 3,743,956	\$ 5,820,179
Investments	-	-	998,145	998,145
Receivables (net of allowances for uncollectibles):				
Property Taxes	130,445	-	-	130,445
Accounts	148,065	727,160	-	875,225
Prepaid Expenditures	468,489	-	-	468,489
Total Assets	<u>3,273,369</u>	<u>277,013</u>	<u>4,742,101</u>	<u>8,292,483</u>
Deferred Outflows of Resources	-	-	-	-
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 3,273,369</u>	<u>\$ 277,013</u>	<u>\$ 4,742,101</u>	<u>\$ 8,292,483</u>
Liabilities:				
Accounts Payable	\$ 221,095	\$ 106,405	\$ 392,464	\$ 719,964
Accrued Payroll and Related Expenses	251,835	-	-	251,835
Accrued Sick Leave	199,750	-	-	199,750
Total Liabilities	<u>672,680</u>	<u>106,405</u>	<u>392,464</u>	<u>1,171,549</u>
Deferred Inflows of Resources				
Grant Revenue Received in Advance	-	170,608	-	170,608
Total Deferred Inflows of Resources	<u>-</u>	<u>170,608</u>	<u>-</u>	<u>170,608</u>
Fund Balances:				
Nonspendable	468,489	-	-	468,489
Restricted - Future Construction	-	-	3,168,385	3,168,385
Restricted - Other	-	-	1,080,747	1,080,747
Assigned - Capital Expenditures	-	-	100,505	100,505
Unassigned	2,132,200	-	-	2,132,200
Total Fund Balances	<u>2,600,689</u>	<u>-</u>	<u>4,349,637</u>	<u>6,950,326</u>
Total Liabilities, Deferred Inflows of of Resources, and Fund Balance	<u>\$ 3,273,369</u>	<u>\$ 277,013</u>	<u>\$ 4,742,101</u>	<u>\$ 8,292,483</u>

See Notes to the Basic Financial Statements.

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

Total Governmental Fund Balance	\$	6,950,326
Amounts Reported for Governmental Activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		51,738,615
Certain other assets and liabilities are not available to pay current period expenditures and therefore are not reported in this fund.		(275,426)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in funds:		
Deferred pension investment earnings		(779,685)
Deferred pension contributions		884,315
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.		(49,568,347)
Net Position of Governmental Activities	<u>\$</u>	<u>8,949,798</u>

See Notes to the Basic Financial Statements.

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

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 5,064,618	\$ -	\$ 949,680	\$ 6,014,298
Interest Income	9,205	-	28,218	37,423
Intergovernmental - State	29,506,601	1,906,339	3,384,200	34,797,140
Intergovernment - Federal	291,439	3,398,277	355,273	4,044,989
Other Local Revenues	45,760	12,811	123,326	181,897
Total Revenues	<u>\$ 34,917,623</u>	<u>\$ 5,317,427</u>	<u>\$ 4,840,697</u>	<u>\$ 45,075,747</u>
Expenditures:				
Instruction	\$ 21,506,918	\$ 4,434,019	\$ 60,216	\$ 26,001,153
Students	1,558,968	216,576	-	1,775,544
Instructional Staff	1,161,729	230,300	-	1,392,029
District Administration	664,380	-	-	664,380
School Administration	2,294,302	-	-	2,294,302
Business and Other Support Services	698,133	21,320	-	719,453
Operation and Maintenance of Plant	4,065,690	45,907	1,563,044	5,674,641
Student Transportation	3,200,027	42,903	497	3,243,427
Food Service	729	-	-	729
Community Services	0	426,285	-	426,285
Facility Acquisition and Construction	-	-	43,603	43,603
Debt Service	-	-	3,324,195	3,324,195
Total Expenditures	<u>\$ 35,150,876</u>	<u>\$ 5,417,310</u>	<u>\$ 4,991,555</u>	<u>\$ 45,559,741</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (233,253)</u>	<u>\$ (99,883)</u>	<u>\$ (150,858)</u>	<u>\$ (483,994)</u>
Other Financing Sources (Uses):				
Proceeds on Sale of Bonds	\$ -	\$ -	\$ 3,130,000	\$ 3,130,000
Gain on Sale of Equipment	10,060	-	-	10,060
Extraordinary Item	-	-	(85,120)	(85,120)
Operating Transfers In	725,523	99,883	3,234,460	4,059,866
Operating Transfers Out-Other Funds	(185,003)	-	-	(185,003)
Operating Transfers Out-Debt Service	-	-	(3,745,516)	(3,745,516)
Total Other Financing (Uses) Sources	<u>\$ 550,580</u>	<u>\$ 99,883</u>	<u>\$ 2,533,824</u>	<u>\$ 3,184,287</u>
Net Change in Fund Balances	<u>\$ 317,327</u>	<u>\$ -</u>	<u>\$ 2,382,966</u>	<u>\$ 2,700,293</u>
Fund Balances, June 30, 2014	\$ 2,283,362	\$ -	\$ 1,966,673	\$ 4,250,035
Fund Balances, June 30, 2015	<u>\$ 2,600,689</u>	<u>\$ -</u>	<u>\$ 4,349,639</u>	<u>\$ 6,950,328</u>

See Notes to the Basic Financial Statements.

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

Amounts Reported For Governmental Activities in the Statement of Net Position are Different Because:

Net Changes in Fund Balance - Governmental Funds \$ 2,700,293

Governmental funds report capital outlays as expenditures because they use current financial resources. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expenses exceeds capital for the year.

Depreciation expense	(1,221,274)	
Capital outlay	217,159	(1,004,115)

Governmental funds report pension contributions as expenditures when paid. However, in the Statement of Activities, pension expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows of resources related to pensions and investment experience:

KTRS on-behalf revenue	2,919,581	
KTRS on-behalf pension expense	(2,919,581)	
CERS contributions	884,315	
Pension Expense	(801,926)	82,389

Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

Principal paid		1,830,000
Bond premium received		(33,559)
Premiums and discounts on bonds and refunding of bonds issued		68,993
Deferred gain over refunding of debt		(499,155)

Generally, expenditures recognized in the fund financial statements are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred for the following:

Long-term portion of accrued sick leave	28,866
Interest payable	21,666

Bond and capital lease proceeds are recognized as revenues in the fund financial statements, but are increases in liabilities in the Statement of Net Position	(3,130,000)
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Change in Net Position of Governmental Activities	\$ 65,378
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See Notes to the Basic Financial Statements.

CARTER COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2015

	Food Service Fund
Assets:	
Current Assets:	
Cash and Cash Equivalents	\$ 711,854
Inventories	51,008
Total Current Assets	762,862
Noncurrent Assets:	
Capital Assets, Net of Accumulated Depreciation	206,156
Total Noncurrent Assets	206,156
Total Assets	969,018
Deferred Outflows of Resources:	
Deferred Pension Contributions	142,132
Total Deferred Outflows of Resources	\$ 142,132
Liabilities:	
Current Liabilities:	
Accounts Payable	\$ 5,366
Total Current Liabilities	5,366
Noncurrent Liabilities:	
Net Pension Liability	1,122,295
Total Liabilities	1,127,661
Deferred Inflows of Resources:	
Deferred Earnings on Pension Investments	125,315
Total Deferred Inflows of Resources	125,315
Net Position:	
Investment in Capital Assets	206,156
Restricted	(347,982)
Total Net Position	\$ (141,826)

See Notes to the Basic Financial Statements.

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

	Food Service Fund
Operating Revenues:	
Lunchroom Sales	\$ 139,116
Other Operating Revenues	1,500
Total Operating Revenues	\$ 140,616
Operating Expenses:	
Salaries and Benefits	\$ 1,328,353
Contract Services	46,795
Materials and Supplies	1,361,501
Depreciation	34,321
Total Operating Expenses	\$ 2,770,970
Operating Loss	\$ (2,630,354)
Nonoperating Revenues:	
Federal Grants	\$ 2,383,302
State Grants	333,014
Donated Commodities	136,079
Interest Income	1,017
Total Nonoperating Revenues	\$ 2,853,412
Other Financing Sources (Uses):	
Operating Transfers Out	(129,347)
Total Other Financing Sources (Uses)	(129,347)
Increase in Net Position	\$ 93,711
Net Position, June 30, 2014	888,483
Prior Period Adjustment (See Note 2)	(1,124,020)
Net Position, June 30, 2014, as restated	\$ (235,537)
Net Position, June 30, 2015	\$ (141,826)

See Notes to the Basic Financial Statements.

CARTER COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Food Service Fund</u>
Cash Flows From Operating Activities	
Cash Received from:	
Lunchroom sales	\$ 139,116
Other Activities	1,500
Cash paid for:	
Employees (less on behlaf of payments, pension change)	(1,346,895)
Supplies (less commodities and capital purchases)	(1,360,832.22)
Other Activities	(46,795)
Net cash used for operating activities	<u>\$ (2,613,906)</u>
 Cash Flows From Noncapital Financing Activities:	
Government Grants	2,852,395
Interfund Transfer	(129,347)
Net Cash Provided by Noncapital and Related Financing Activities	<u>\$ 2,723,048</u>
 Cash Flows From Investing Activities:	
Interest Received on Investments	1,017
Net Cash Provided by Investing Activities	<u>\$ 1,017</u>
 Net Increase in Cash and Cash Equivalents	<u>\$ 110,159</u>
 Cash Balance, June 30, 2014	\$ 601,695
 Cash Balance, June 30, 2015	<u><u>\$ 711,854</u></u>
 Non-Cash Items:	
Employee benefits paid by KDE	\$ 18,542
Donated commodities	\$ 85,850
 Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating loss	\$ (2,630,354)
Adjustments to Reconcile Operating Loss to	
Net Cash Used for Operating Activities:	
Depreciation	34,321
Employee benefits paid by KDE	(18,542)
Inventory	1,300
Accounts payable	(631)
Net Cash Used for Operating Activities	<u>\$ (2,613,906)</u>

See Notes to the Basic Financial Statements.

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

	Private Purpose Trust Fund	School Activity Funds
Assets:		
Cash and Cash Equivalents	\$ 167,642	\$ 333,686
Investments	10,968	-
Total Assets	178,610	333,686
Liabilities:		
Due to Students	-	332,620
Accounts Payable	-	1,066
Total Liabilities	-	333,686
Net Position Held in Trust	\$ 178,610	\$ -

See Notes to the Basic Financial Statements.

CARTER COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Private Purpose Trust Fund
Additions:	
Contributions	\$ 11,085
Total Additions	11,085
Deductions:	
Scholarships Paid	10,946
Total Deductions	10,946
Change in Net Position	139
Net position - beginning	178,471
Net position - ending	\$ 178,610

See Notes to the Basic Financial Statements.

CARTER COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 1 – Nature of Activities:

A. Reporting Entity

The Carter County Board of Education (the "Board"), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the Carter County School District (the "District"). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards 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 Board. 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 District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements. Copies of component unit reports may be obtained from the District's Finance Office at 228 South Carol Malone Blvd., Grayson, KY 41143.

Carter County School District Finance Corporation - On August 14, 1989, the Carter County Board of Education resolved to authorize the establishment of the Carter County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Carter County Board of Education also comprise the Corporation's Board of Directors.

B. Summary of Significant Accounting Policies and Description of Funds

Basis of Presentation

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the District as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

Government-wide Statements - Provide information about the primary government (the District). The statements include a statement of net position and a statement of activities. These statements report the financial activities of the overall government and business-type activities of the District. Governmental

CARTER COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 1 – Nature of Activities (Cont.):

activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and 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 - Report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

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

The District has the following funds:

I. Governmental Fund Types

(A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.

(B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs.

CARTER COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 1 – Nature of Activities (Cont.):

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 acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).

i. 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.

ii. The Facility Support Program of Kentucky Fund (FSPK) accounts for funds generated by the building tax levy and also participates in the Kentucky 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.

iii. The Construction Fund includes Capital Projects 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) Debt Service Funds are used to account for the accumulation of resources for, and 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.

II. Proprietary Fund Type (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 Food Service Fund is a major fund.

III. Fiduciary Fund Type (includes Agency and Trust Funds)

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

The Private Purpose Trust Funds are used to report trust agreements under which principal and income benefit individuals, private organizations, or other governments.

CARTER COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 1 – Nature of Activities (Cont.):

Basis of Accounting

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource 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 it can be recognized.

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

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

CARTER COUNTY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 1 – Nature of Activities (Cont.):

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are appropriated in the next year. A reservation of fund balance equal to outstanding encumbrances at year-end is provided for at June 30, 2015. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying combined financial statements related to encumbrance accounting. Encumbrances outstanding at year-end are reported in the appropriate fund balance category (restricted, committed or assigned) since they do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

Capital Assets

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

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

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

CARTER COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 1 – Nature of Activities (Cont.):

Interfund Activity

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

Cash and Cash Equivalents

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

Inventories

Supplies and materials are charged to expenditures when purchased with the exception of the Proprietary Funds, which records inventory at cost, on the first-in, first-out basis, using the accrual basis of accounting.

Budgetary Process

The District is required by state law to adopt annual budgets for the general fund, special revenue fund, capital outlay fund and the food service fund. The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major difference between the budgetary basis and the GAAP basis is that on-behalf payments made by the state for the District are not budgeted. See Note 14 for these amounts which were not known by the District at the time the budget was adopted.

Property Taxes

Property taxes collected are recorded as revenues in the fund for which they were levied. The District's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business property located in the District. The assessed value of property upon which the levy for the 2015 fiscal year was based was \$753,906,681.

The tax rates assessed for the year ended June 30, 2015, to finance general fund operations were \$.825 on real estate and \$.494 on motor vehicles, per \$100 valuation.

Taxes are due on October 1 and become delinquent by February 1 following the October 1 levy date. Current tax collections for the year ended June 30, 2015, were approximately 95% of the tax levy.

CARTER COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 1 – Nature of Activities (Cont.):

Accrued Liabilities and Long-Term Obligations

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

Fund Balance Reserves

The District reserves those portions of fund balances which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion, which is available for appropriation in future periods. Fund balances reserves have been established for accrued sick leave. Unreserved fund balances are composed of designated and undesignated portions. The undesignated portion of the unreserved fund balance represents that portion of fund balance that is available for budgeting in future periods. Designated fund balances represent tentative plans for future use of financial resources.

Fund Equity

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- I.** Nonspendable fund balances include amounts that cannot be spent because they are in a nonspendable form, such as inventory, or prepaid expense amounts, or they are legally or contractually required to be maintained intact, such as the corpus of a permanent fund.
- II.** Restricted fund balances are restricted due to legal restrictions from creditors, grantors, or laws and regulations of other governments or by legally enforceable enabling legislation or constitutional provisions.
- III.** Committed fund balances are amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority, which for the county is the five-member School Board. Said specific purposes and amounts are recorded in the official Board minutes of the fiscal year ended June 30, 2015.

CARTER COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 1 – Nature of Activities (Cont.):

IV. Those committed amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

V. Assigned fund balances are constrained by the intent to use funds for specific purposes, but are neither restricted nor committed. Intent can be expressed by the five-member School Board or by a body or official to which the School Board has delegated the authority to assign amounts to be used for specific purposes. By reporting particular amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund, the Board has assigned those amounts to the purposes of the respective funds.

VI. Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. In other funds, any negative fund balances would be unassigned.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the propriety funds. For the District, those revenues are primarily charges for meals provided by the various schools. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the foods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

Interfund Activity

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

Restricted Resources

Restricted resources should be applied first when an expense is incurred for purposes for which both restricted and unrestricted net position are available. If an expense is incurred for purposes for which committed, assigned and unassigned fund balances are all available, the fund balances should be reduced in the following order: committed, assigned, and then unassigned.

CARTER COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 1 – Nature of Activities (Cont.):

Deferred Outflow of Resources:

A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period.

Balances of deferred outflows of resources may be presented in the statement of net position or governmental fund balance sheet as aggregations of different types of deferred amounts. For the fiscal year ended June 30, 2015, the District reported deferred outflows of resources on the government-wide financial statements for a deferred pension contribution.

Deferred Inflow of Resources

A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period.

Balances of deferred inflows of resources may be presented in the statement of net position or governmental fund balance sheet as aggregations of different types of deferred amounts. For the fiscal year ended June 30, 2015, the District reported deferred inflows of resources on the government-wide financial statements for grant revenue received in advance, deferred pension investment earnings, and a deferred gain on a refunding of debt. The District reported deferred inflows of resources on the fund financial statements for grant revenue received in advance.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System Non-Hazardous (“CERS”) and Teachers Retirement System of the State of Kentucky (“KTRS”) and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the pensions. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 2 - Change in Accounting Principle:

The Board changed its method of accounting for the following items in order to comply with accounting principles generally accepted in the United States of America:

GASB 63 – As of July 1, 2012, the Board implemented GASB Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.” This statement changed the name of the district-wide statement formerly known as the Statement of Net Assets to the Statement of Net Position. It also added new categories of Deferred Outflows of Resources and Deferred Inflows of Resources to the district-wide Statement of Net Position and the governmental fund Balance Sheet.

CARTER COUNTY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 2 - Change in Accounting Principle (Cont.):

GASB 65 – As of July 1, 2012, the Board implemented GASB Statement No. 65, “Items Previously Reported as Assets and Liabilities”. Upon implementation, this statement reclassified some items currently reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources.

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

GASB 68 required retrospective application. Since the Board only presents one year of financial information, the beginning net pension was adjusted to reflect the retrospective application. The adjustment resulted in a \$5,623,000 reduction in beginning net position on the Statement of Activities and an increase of \$728,090 of deferred outflows of resources – Board contributions subsequent to the measurement date.

	Governmental Activities	Business-Type Activities	Total
Net Position as previously reported at June 30, 2014	\$15,844,885	\$ 888,483	\$ 16,733,368
Prior period adjustment implementation of GASB 68:			
Net pension liability (measurement date as of June 30, 2014)	(7,900,817)	(1,270,184)	(9,171,001)
Deferred outflows Board contributions made during 2014	<u>940,352</u>	<u>146,164</u>	<u>1,086,516</u>
Total prior period adjustment	<u>(6,960,465)</u>	<u>(1,124,020)</u>	<u>(8,084,485)</u>
Net position as restated, June 30, 2014	<u>\$ 8,884,420</u>	<u>\$ (\$235,537)</u>	<u>\$ 8,648,883</u>

Note 3 – Estimates:

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

Note 4 – Cash and Cash Equivalents:

The funds of the District must be deposited and invested under the terms of a contract. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

CARTER COUNTY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 4 – Cash and Cash Equivalents (Cont.):

At June 30, 2015, the carrying amount of the Board's cash and cash equivalents was \$6,532,033 and the bank balances totaled \$9,865,151. Of the total bank balances, \$250,000 was secured by Federal Depository insurance and the remaining amount was covered by a collateral agreement and collateral held by the pledging banks' trust departments in the District's name.

The cash deposits held at financial institutions can be categorized according to three levels of risk.

These three levels of risks are as follows:

Category 1 - Deposits, which are insured or collateralized with securities, held by the District or by its agent in the District's name.

Category 2 - Deposits, which are collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3 - Deposits, which are not collateralized or insured.

Based on these three levels of risk, the District's uninsured cash deposits are classified as Category 2.

General Fund cash and cash equivalents at June 30, 2015, consisted of a money market checking account.

Due to the nature of the accounts and certain limitations imposed on the use of funds, each bank account within the following funds is considered to be restricted: SEEK Capital Outlay Fund, Facility Support Program (FSPK) Fund, Education Building Fund, Special Revenue (Grant) Funds, Bond and Interest Redemption Fund, School Food Service Funds, and School Activity Funds.

Note 5 – Capital Assets:

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

<u>Governmental Activities</u>	Balance <u>July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2015</u>
Land	\$ 1,683,811	\$ -	\$ -	\$ 1,683,811
Construction in Process	-	799,660	-	799,660
Land Improvements	248,262	-	-	248,262
Buildings and Improvements	68,654,705	34,848	-	68,689,553
Technology Equipment	1,117,254	-	47,987	1,069,267
Machinery and Equipment	245,755	-	-	245,755
Vehicles	<u>5,951,874</u>	<u>363,636</u>	-	<u>6,315,510</u>
Total	\$ 77,901,661	\$ 1,198,144	\$ 47,987	\$ 79,051,818
Less: Accumulated Depreciation:				
Land Improvements	\$ 183,578	\$ 10,080	\$ -	\$ 193,658
Buildings and Improvements	19,958,236	1,633,478	-	21,591,714
Technology Equipment	965,400	112,990	47,663	1,030,727
Machinery and Equipment	127,300	18,631	-	145,931
Vehicles	<u>3,924,417</u>	<u>426,756</u>	-	<u>4,351,173</u>
Total	\$ 25,158,931	\$ 2,201,935	\$ 47,663	\$ 27,313,203
Governmental Activities Capital Assets - Net:	\$ <u>52,742,730</u>	\$ <u>(1,003,791)</u>	\$ <u>324</u>	\$ <u>51,738,615</u>
<u>Business-Type Activities</u>				
Food Service Equipment	\$ 821,712	\$ -	\$ -	\$ 821,712
Less: Accumulated Depreciation:	<u>581,235</u>	<u>34,321</u>	-	<u>615,556</u>
Business-Type Activities Capital Assets – Net	\$ <u>240,477</u>	\$ <u>(34,321)</u>	\$ -	\$ <u>206,156</u>

Depreciation expense was allocated to governmental functions as follows:

Instructional	\$ 48,153
Staff support services	79,436
School administration	721
Plant operation and maintenance	1,663,496
Student transportation	<u>410,129</u>
Total	\$ <u>2,201,935</u>

CARTER COUNTY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 6 – Debt Obligations:

The amount shown in the accompanying financial statements as debt obligations represents the District's future obligations to make lease payments relating to the bonds issued by the Carter County School District Financial Corporation and the Kentucky School Construction Commission aggregating \$40,555,000.

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

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
2005	\$ 380,000	3.75%
2006	6,630,000	3.25% to 4.00%
2008	1,375,000	2.50% to 3.20%
2009	6,115,000	2.20% to 3.75%
2011	12,590,000	1.00% to 5.00%
2011	7,665,000	5.00%
2011	1,815,000	2.00% to 4.10%
2012	3,460,000	1.00% to 3.625%
2013	3,805,000	2.00% to 2.25%
2014	655,000	4.00%
2015	5,300,000	2.00% to 2.25%
2015	<u>3,130,000</u>	2.00% to 3.25%
	\$ 52,920,000	

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Carter County School District Financial Corporation and the Kentucky School Construction Commission 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 proceeds from certain refunding issues have been placed in escrow accounts to be used to service the related debt.

KSBIT Payable

The Kentucky School Boards Insurance Trust (“KSBIT”) notified the District during the year that their self-insurance pools for worker’s compensation and liability insurance were underfunded. As a result, an assessment will be required under a fair methodology to be approved by the Kentucky Department of Insurance, of current and past participating members to fund the deficit and the transfer of liability to a qualified insurer/reinsurer. On June 24, 2013, the KSBIT Board voted to submit a plan to the Kentucky Department of Insurance using the novation option. A novation transfers all existing KSBIT claims and risk to a highly rated reinsurer which will continue to make claims payments. Under the novation method, the District’s liability would be \$177,614

In prior years The Carter County School Finance Corporation issued Qualified School Construction Bonds (QSCBs). The QSCB is a federal program that provides bond holders with annual tax credits that are approximately equal to the interest that states and communities would ordinarily pay to the holders of taxable bonds. Sequestration affected the subsidy received from July 1, 2014 through June 30, 2015 by reducing payments from the Federal Government by 7.3% (\$27,977). The District was responsible to the bond holder for the reduction.

CARTER COUNTY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 6 – Debt Obligations (Cont.):

At June 30, 2015 the District had a balance of \$998,148 in a QSCB sinking fund as required by bond indentures. Future required deposits of \$320,636 is due annually until the bond is payable in full December 1, 2030.

On January 29, 2015 the Carter County Finance Corporation issued \$5,300,000 of general obligation refunding bonds to provide resources to purchase U.S. Government and State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on \$5,090,000 of refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. This advance refunding was undertaken to reduce total debt service payments over the next 12 years by \$516,268.

On March 12, 2015, the District issued \$3,130,000 in 2015 Series revenue Bond with an average interest rate of 2.55 percent. The net proceeds of \$3,053,677 (after \$32,720 in cost of issuance) were deposited into the construction fund.

The changes in the general long-term debt for the year ended June 30, 2015, were as follows:

	Balance <u>July 1, 2014</u>	<u>New Issues</u>	<u>Retirements</u>	Balance <u>June 30, 2015</u>
Revenue Bonds	\$ 39,045,000	\$ 8,430,000	\$ 6,920,000	\$ 40,555,000
Accrued Sick Leave	1,669,960	150,185	168,993	1,651,152
KSBIT Assessment Payable	<u>177,614</u>	-	-	<u>177,614</u>
Total	\$ <u>40,892,574</u>	\$ <u>8,580,185</u>	\$ <u>7,088,993</u>	\$ <u>42,383,766</u>

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

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

Year	Carter County <u>School District</u>		Kentucky School Facilities <u>Construction Commission</u>		Total Principal
	Principal	Interest	Principal	Interest	
2016	\$ 1,427,931	\$ 827,069	\$ 567,069	\$ 241,231	\$ 1,995,000
2017	1,461,633	785,527	573,367	223,744	2,035,000
2018	1,500,539	741,853	589,461	206,993	2,090,000
2019	1,548,316	696,552	606,684	189,770	2,155,000
2020-2024	7,889,399	2,824,215	2,020,601	741,432	9,910,000
2025-2029	7,375,943	1,671,821	1,789,057	412,838	9,165,000
Thereafter	<u>12,254,754</u>	<u>407,092</u>	<u>950,246</u>	<u>91,007</u>	<u>13,205,000</u>
Total	\$ <u>33,458,515</u>	\$ <u>7,954,129</u>	\$ <u>7,096,485</u>	\$ <u>2,107,015</u>	\$ <u>40,555,000</u>

CARTER COUNTY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 6 – Debt Obligations (Cont.):

In prior years the Carter County School Finance Corporation defeased certain other general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for defeased bonds are not included in the Carter County School District financial statements. At June 30, 2015, \$3,490,000 of Bonds are considered defeased.

Note 7 – Accumulated Unpaid Sick Leave Benefits:

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's past experience of making termination payments. The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accrued sick leave" in the general fund. The noncurrent portion of the liability is not reported in the fund financial statements.

Note 8 – Interfund Transfers:

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

<u>Type</u>	<u>From</u>	<u>To</u>	<u>Purpose</u>	<u>Amount</u>
Operating	General	Special Revenue	Technology	\$ 99,883
Operating	General	Debt Service	Debt Service	85,120
Operating	Capital Outlay	General	Operating	416,176
Operating	Building	General	Operating	180,000
Operating	Building	Construction	Capital Construction	620,064
Operating	Building	Debt Service	Debt Service	2,529,276
Operating	Food Service	General	Operating	129,347

CARTER COUNTY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 9 – 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 Kentucky Revised Statute (“KRS”) Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

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

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

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

CARTER COUNTY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 9 – Retirement Plans (Cont.):

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

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

General information about the Teachers’ Retirement System of the State of Kentucky (“KTRS”)

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

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

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

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

CARTER COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 9 – Retirement Plans (Cont.):

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.

Medical Insurance Plan

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

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

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

CARTER COUNTY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 9 – Retirement Plans (Cont.):

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

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

District's proportionate share of the CERS net pension liability	\$	8,084,484
Commonwealth’s proportionate share of the KTRS net pension liability associated with the District		123,893,267
	\$	131,977,751

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

The District’s proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2014, the District’s proportion was 0.249827% percent.

For the year ended June 30, 2015, the District recognized pension expense of \$921,669 related to CERS and \$2,919,581 related to KTRS. The District also recognized revenue of \$2,919,581 for KTRS support provided by the Commonwealth. At June 30, 2014, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	905,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
District contributions subsequent to the measurement date	1,026,447	-
Total	\$ 1,026,447	\$ 905,000

CARTER COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 9 – Retirement Plans (Cont.):

The \$683,952 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	205,289
2017	205,289
2018	205,289
2019	205,289
2020	205,289

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

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

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

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

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

CARTER COUNTY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 9 – Retirement Plans (Cont.):

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

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

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

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

CARTER COUNTY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 9 – Retirement Plans (Cont.):

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	6.75%	7.75%	8.75%
District's proportionate share of net pension liability	7,059,193	8,105,000	9,150,806
KTRS	4.23%	5.23%	6.23%
District's proportionate share of net pension liability	-	-	-

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

Note 10 – Contingencies:

The District receives funding from federal, state, and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantors review indicates that the funds have not been used for the intended purpose, the grantors' may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant program 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 is subject to certain legal proceedings arising from normal business activities. Administrative officials believe that these actions are without merit or that the ultimate liability, if any, resulting from them will not materially affect the accompanying financial statements.

CARTER COUNTY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 11 – Risk Management:

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, the District carries their insurance with Kentucky Employers' Mutual Insurance (KEMI), which is located in Lexington Kentucky. KEMI is a mutual insurance company regulated by the Kentucky Department of Insurance. The District pays annual premiums for their coverage. The premium for workers' compensation is based on a formula. The District is assigned a classification code for their industry and each classification code has a corresponding rate. Multiplying the rate times the estimated payroll for operations then dividing by 100 will give the base premium, in some cases, modifiers may also be added, based on eligibility, which may increase or decrease the premium. In other cases, additional coverage may be requested that increase the premium.

The District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 12 – COBRA:

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

Note 13 – On-Behalf Payments:

For fiscal year 2015, the Commonwealth of Kentucky contributed payments on behalf of the Carter County School District as follows:

<u>Plan/Description</u>	<u>Amount</u>
Kentucky Teachers Retirement System	\$ 2,919,581
Health & Life Insurance	4,976,426
Technology	83,957
Debt Service	<u>762,131</u>
Total	\$ 8,742,095

These amounts are included the Government-wide Statement of Activities as State Revenue and an expense allocated to the different functions in the same proportion as full-time employees.

CARTER COUNTY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 14 – Fund Balance:

The detailed components of the various fund balance categories as of June 30, 2015, are as follows:

Fund Balance	General Current Expense Fund	Building Fund	Construction Fund	District Activity Fund	Debt Service Fund	Total Governmental Funds
Assigned to:						
Capital Expenditures	\$ 172,844	\$ 100,505	\$ -	\$ -	\$ -	\$ 273,349
Nonspendable	468,489	-	-	-	-	468,489
Restricted:						
Future Construction	-	-	3,168,385	-	-	3,168,385
Other	-	-	-	-	1,017,503	1,017,503
Unassigned	1,959,356	-	-	63,244	-	2,022,600
Total Fund Balance	<u>\$2,600,689</u>	<u>\$ 100,505</u>	<u>\$ 3,168,385</u>	<u>\$ 63,244</u>	<u>\$1,017,503</u>	<u>\$ 6,950,326</u>

Note 15 – Encumbrances:

The District did not have any encumbrances as of June 30, 2015.

Note 16 – Commitments, Contingencies, and Subsequent Events:

All commitments, contingencies, and subsequent events have been evaluated by management and have been properly disclosed up through December 18, 2015, the date of this report.

CARTER COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES - BUDGET
AND ACTUAL (NON-GAAP BUDGETARY BASIS) - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues:				
Taxes	\$ 4,908,556	\$ 4,963,100	\$ 5,064,618	\$ 101,518
Other Local Sources	-	-	-	-
Earnings on Investments	10,000	5,000	9,205	4,205
State Sources	28,761,695	28,700,355	29,506,601	806,246
Federal Sources	285,000	254,000	291,439	37,439
Other Sources	15,500	22,000	45,760	23,760
Total Revenues	<u>\$ 33,980,751</u>	<u>\$ 33,944,455</u>	<u>\$ 34,917,623</u>	<u>\$ 973,168</u>
Expenditures:				
Instruction	\$ 20,772,228	\$ 20,832,796	\$ 21,506,918	\$ (674,122)
Support Services:				
Students	1,661,252	1,600,098	1,558,968	41,130
Instructional Staff	1,253,302	1,251,986	1,161,729	90,257
District Administration	585,777	591,762	664,380	(72,618)
School Administration	2,233,564	2,289,037	2,294,302	(5,265)
Business and Other Support Services	695,781	644,030	698,133	(54,103)
Operation and Maintenance of Plant	4,099,783	4,340,810	4,065,690	275,120
Student Transportation	3,594,616	3,532,919	3,200,027	332,892
Community Services	89	-	-	-
Food Services	2,050	1,550	729	821
Total Expenditures	<u>\$ 34,898,442</u>	<u>\$ 35,084,988</u>	<u>\$ 35,150,876</u>	<u>\$ (65,888)</u>
(Deficiency) Excess of Revenues (Under) Over Expenditures	<u>(917,691)</u>	<u>(1,140,533)</u>	<u>(233,253)</u>	<u>907,280</u>
Other Financing Sources (Uses):				
Proceeds from Sale of Assets	-	-	10,060	10,060
Transfers In	717,000	717,250	725,523	8,273
Transfers Out	(80,000)	(165,120)	(185,003)	(19,883)
Total Other Financing Sources (Uses)	<u>637,000</u>	<u>552,130</u>	<u>550,580</u>	<u>(1,550)</u>
Net Change In Fund Balance	<u>\$ (280,691)</u>	<u>\$ (588,403)</u>	<u>\$ 317,327</u>	<u>\$ 1,037,506</u>
Fund Balance, June 30, 2014	\$ 1,563,690	\$ 2,284,498	\$ 2,283,362	\$ (1,136)
Fund Balance, June 30, 2015	<u>\$ 1,282,999</u>	<u>\$ 1,696,095</u>	<u>\$ 2,600,689</u>	<u>\$ 1,036,370</u>

CARTER COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues:				
Other Local Sources	\$ -	\$ 3,000	\$ 12,811	\$ 9,811
State Sources	1,350,470	1,927,870	1,906,340	(21,530)
Federal Sources	3,065,955	3,074,913	3,398,277	323,364
Total Revenues	<u>\$ 4,416,425</u>	<u>\$ 5,005,783</u>	<u>\$ 5,317,428</u>	<u>\$ 311,645</u>
Expenditures:				
Instruction	\$ 3,782,224	\$ 4,183,797	\$ 4,434,019	\$ (250,222)
Support Services				
Students	-	155,100	216,576	(61,476)
Instructional Staff	181,395	207,982	230,300	(22,318)
Business and Other Support Services	20,000	20,000	21,320	(1,320)
Operation and Maintenance of Plant	70,862	69,305	45,907	23,398
Student Transportation	15,906	15,906	42,903	(26,997)
Community Services	426,038	433,693	426,285	7,408
Total Expenditures	<u>\$ 4,496,425</u>	<u>\$ 5,085,783</u>	<u>\$ 5,417,310</u>	<u>\$ (331,527)</u>
(Deficiency) Excess of Revenues (Under) Over Expenditures	<u>\$ (80,000)</u>	<u>\$ (80,000)</u>	<u>\$ (99,882)</u>	<u>\$ (19,882)</u>
Other Financing Sources (Uses):				
Transfers In	\$ 80,000	\$ 80,000	\$ 99,882	\$ (19,882)
Total Other Financing Sources (Uses)	<u>\$ 80,000</u>	<u>\$ 80,000</u>	<u>\$ 99,882</u>	<u>\$ (19,882)</u>
Net Change In Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, June 30, 2014	\$ -	\$ -	\$ -	\$ -
Fund Balance, June 30, 2015	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CARTER COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2015

	Reported Fiscal Year (Measurement Date)
	2015 (2014)
COUNTY EMPLOYEES RETIREMENT SYSTEM:	
District's proportion of the net pension liability	0.249827%
District's proportionate share of the net pension liability	\$ 8,105,000
District's covered-employee payroll	\$ 4,998,455
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	162.1470%
Plan fiduciary net position as a percentage of the total pension liability	66.800%
 KENTUCKY TEACHER'S RETIREMENT SYSTEM	
District's proportion of the net pension liability	0.5738%
District's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the District	\$ 129,893,267
Total	\$ 129,893,267
District's covered-employee payroll	\$ 1,935,037
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.000%
Plan fiduciary net position as a percentage of the total pension liability	45.590%

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

CARTER COUNTY SCHOOL DISTRICT
SCHEDULE OF PENSION CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>2015</u>	<u>2014</u>
COUNTY EMPLOYEES RETIREMENT SYSTEM:		
Contractually required contribution	\$ 1,026,447	\$ 1,089,598
Contributions in relation to the contractually required contribution	<u>\$ 1,026,447</u>	<u>\$ 1,089,598</u>
Contribution deficiency(excess)	\$ -	\$ -
District's covered employee payroll	\$ 5,808,981	\$ 5,768,121
District's contributions as a percentage of its covered-employee payroll	17.67%	18.89%
 KENTUCKY TEACHER'S RETIREMENT SYSTEM		
Contractually required contribution	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>\$ -</u>	<u>\$ -</u>
Contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 19,225,037	\$ 18,888,406
District's contributions as a percentage of its covered-employee payroll	0.000%	0.000%

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

CARTER COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 1 – Changes in Assumptions:

KTRS

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

CERS

There were no changes of assumptions.

Note 2 – Method and Assumptions Used in Calculations of Actuarially Determined Contributions:

KTRS

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of that schedule:

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	4.0% to 8.2%, including inflation
Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation

CERS

The actuarially determined contribution rates in the schedule of contributions are calculated on a biennial basis beginning with the fiscal years ended 2015 and 2016, determined as of July 1, 2013. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine the contribution rates reported in that schedule:

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 investments expense, including inflation

Note 3 – Change of Benefits:

There were no changes in benefit terms for KTRS or CERS.

CARTER COUNTY SCHOOL DISTRICT
 COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2015

	District Activity Fund	Building Fund	Construction Fund	Debt Service Fund	Total Non-Major Governmental Funds
Assets:					
Cash and Cash Equivalents	\$ 63,886	\$ 100,505	\$ 3,560,207	\$ 19,358	\$ 3,743,956
Investments	-	-	-	998,145	998,145
Total Assets	<u>\$ 63,886</u>	<u>\$ 100,505</u>	<u>\$ 3,560,207</u>	<u>\$ 1,017,503</u>	<u>\$ 4,742,101</u>
Liabilities:					
Accounts Payable	642	-	391,822	-	392,464
Total Liabilities	<u>\$ 642</u>	<u>\$ -</u>	<u>\$ 391,822</u>	<u>\$ -</u>	<u>\$ 392,464</u>
Fund Balances:					
Restricted - Future Construction	\$ -	\$ -	\$ 3,168,385	\$ -	\$ 3,168,385
Restricted - Other	63,244	-	-	1,017,503	1,080,747
Assigned - Capital Expenditures	-	100,505	-	-	100,505
Total Fund Balances	<u>\$ 63,244</u>	<u>\$ 100,505</u>	<u>\$ 3,168,385</u>	<u>\$ 1,017,503</u>	<u>\$ 4,349,637</u>
Total Liabilities and Fund Balances	<u>\$ 63,886</u>	<u>\$ 100,505</u>	<u>\$ 3,560,207</u>	<u>\$ 1,017,503</u>	<u>\$ 4,742,101</u>

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

	District Activity Fund	Capital Outlay Fund	Building Fund	Construction Fund	Debt Service Fund	Total Non-Major Governmental Funds
Revenues:						
Taxes	\$ -	\$ -	\$ 949,680	\$ -	\$ -	\$ 949,680
Earnings on Investments	-	-	-	-	28,218	28,218
Other Local Revenues	123,326	-	-	-	762,131	885,457
Intergovernmental - Federal	-	-	-	-	355,273	355,273
Intergovernmental - State	631	416,176	2,167,478	37,784	-	2,622,069
Total Revenues	<u>\$ 123,957</u>	<u>\$ 416,176</u>	<u>\$ 3,117,158</u>	<u>\$ 37,784</u>	<u>\$ 1,145,622</u>	<u>\$ 4,840,697</u>
Expenditures:						
Facility Acquisition and Construction	\$ -	\$ -	\$ -	\$ 43,604	\$ -	\$ 43,604
Instruction	60,216	-	-	-	-	60,216
Plant Operation and Maintenance	-	-	-	1,563,044	-	1,563,044
Interest	-	-	-	-	1,494,195	1,494,195
Principal Payments	-	-	-	-	1,830,000	1,830,000
Student Transportation	497	-	-	-	-	497
Total Expenditures	<u>\$ 60,713</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,606,648</u>	<u>\$ 3,324,195</u>	<u>\$ 4,991,556</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 63,244</u>	<u>\$ 416,176</u>	<u>\$ 3,117,158</u>	<u>\$ (1,568,864)</u>	<u>\$ (2,178,573)</u>	<u>\$ 2,027,714</u>
Other Financing Sources (Uses):						
Proceeds From Sale of Bonds	\$ -	\$ -	\$ -	\$ 3,130,000	\$ -	\$ 3,130,000
Extraordinary Item	-	-	-	-	(85,120)	(85,120)
Operating Transfers In	-	-	-	620,064	2,614,396	3,234,460
Operating Transfers Out-Debt Service	-	(416,176)	(3,329,340)	-	-	(3,745,516)
Total Other Financing (Uses) Sources	<u>\$ -</u>	<u>\$ (416,176)</u>	<u>\$ (3,329,340)</u>	<u>\$ 3,750,064</u>	<u>\$ 2,529,276</u>	<u>\$ 2,533,824</u>
Net Change in Fund Balance	<u>\$ 63,244</u>	<u>\$ -</u>	<u>\$ (212,182)</u>	<u>\$ 2,181,200</u>	<u>\$ 350,703</u>	<u>\$ 2,382,965</u>
Fund Balances, June 30, 2014	\$ -	\$ -	\$ 312,687	\$ 987,184	\$ 666,801	\$ 1,966,672
Fund Balances, June 30, 2015	<u>\$ 63,244</u>	<u>\$ -</u>	<u>\$ 100,505</u>	<u>\$ 3,168,384</u>	<u>\$ 1,017,504</u>	<u>\$ 4,349,637</u>

CARTER COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - SCHOOL ACTIVITY AND TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Cash Balances July 1, 2014	Receipts	Disbursements	Cash Balances June 30, 2015	Accounts Payable June 30, 2015	Fund Balances June 30, 2015	Deposits Held in Custody for Students June 30, 2015
ACTIVITY FUNDS:							
East Carter High School	\$ 65,128	\$ 234,942	\$ 222,904	\$ 77,166	\$ 484	\$ -	\$ 77,650
West Carter High School	63,394	283,493	277,195	69,692	-	-	69,692
Carter Elementary School	2,450	7,727	6,594	3,583	-	-	3,583
Carter County Career Technical School	22,070	35,015	33,759	23,326	-	-	23,326
Heritage Elementary School	15,096	50,964	55,308	10,752	319	-	11,071
Olive Hill Elementary School	48,474	46,405	69,405	25,474	-	-	25,474
Prichard Elementary School	34,644	26,470	41,104	20,010	-	-	20,010
Star Elementary School	5,885	5,065	3,520	7,430	-	-	7,430
Upper Tygart Elementary School	22,420	36,991	43,135	16,276	263	-	16,539
East Middle School	53,108	101,344	104,859	49,593	-	-	49,593
West Middle School	27,291	104,534	101,441	30,384	-	-	30,384
Total	<u>359,960</u>	<u>932,950</u>	<u>959,224</u>	<u>333,686</u>	<u>1,066</u>	<u>-</u>	<u>334,752</u>
TRUST FUNDS:							
McDavid Hicks Scholarship	15,742	-	1,000	14,742	-	14,742	-
Hamilton Mem. Scholarship	122,171	-	-	122,171	-	122,171	-
Samantha Holbrook Mem. Fund	182	-	-	182	-	182	-
Thompson K. Bonzo Estate	10,930	38	-	10,968	-	10,968	-
John "Hop" Brown Scholarship	26,998	-	2,000	24,998	-	24,998	-
Bill Ticknor Mem. Camp	2,360	-	-	2,360	-	2,360	-
Peggy Owens Mem. Fund	18	-	18	-	-	-	-
Sandy Clayton Mem. Fund	70	-	-	70	-	70	-
James Riley	-	1,295	-	1,295	-	1,295	-
Johnny Fankell	-	1,824	-	1,824	-	1,824	-
McKenzie	-	6,428	6,428	-	-	-	-
William Gilliam	-	1,500	1,500	-	-	-	-
Total	<u>178,471</u>	<u>11,085</u>	<u>10,946</u>	<u>178,610</u>	<u>-</u>	<u>178,610</u>	<u>-</u>
TOTAL SCHOOL ACTIVITY AND TRUST FUNDS	<u>\$ 538,431</u>	<u>\$ 944,035</u>	<u>\$ 970,170</u>	<u>\$ 512,296</u>	<u>\$ 1,066</u>	<u>\$ 178,610</u>	<u>\$ 334,752</u>

CARTER COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
SCHOOL ACTIVITY FUNDS - EAST CARTER HIGH SCHOOL
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Cash Balance June 30, 2014	Receipts	Disbursements	Cash Balance June 30, 2015	Transfer	Accounts Receivable (Payable)	Total
BILL TICKNOR MEMORIAL	\$ 2,360	\$ -	\$ (2,360)	\$ -	\$ -	\$ -	\$ -
ACADEMIC CLUB	40	-	-	40	-	-	40
ADVANCE P.E.	33	-	-	33	-	-	33
ART CLUB	477	300	(777)	-	-	-	-
BAND	-	1,010	(1,010)	-	-	-	-
BETA CLUB	5,261	3,710	(4,742)	4,229	-	-	4,229
CENTRAL	6,772	3,836	(3,885)	6,723	(347)	-	6,376
CHORUS	-	5,292	(4,197)	1,095	-	-	1,095
DRAMA CLUB	129	86	(150)	65	150	-	215
FBLA	204	10,545	(5,331)	5,418	(3,895)	-	1,523
FCA	43	-	-	43	-	-	43
FCCLA	105	842	(751)	196	-	-	196
FFA	173	20,354	(20,582)	(55)	3,895	-	3,840
FMD	1,181	713	(1,787)	107	-	-	107
FRENCH ACCOUNT	72	2,497	(2,407)	162	-	-	162
FEA	110	-	-	110	-	-	110
GUIDANCE	285	1,409	(500)	1,194	-	-	1,194
HAMILTON MEMORIAL SCHOLAR	122,171	-	(122,171)	-	-	-	-
JAMES E. RILEY ART AW	1,295	-	(1,295)	-	-	-	-
JROTC	1,614	13,603	(15,498)	(281)	281	-	-
KY JR HISTORICAL SOCIETY	57	-	-	57	-	-	57
LIBRARY	587	234	-	821	-	-	821
MATH DEPT	331	564	(438)	457	-	-	457
MCDAVID-HICKS SCHOOL	15,742	-	(15,742)	-	-	-	-
JOHNNY FANKELL MEMORIAL	2,780	994	(3,024)	750	-	-	750
PARKING FEE ACCOUNT	582	170	(341)	411	-	-	411
ARCHERY	2,072	4,977	(5,023)	2,026	-	484	2,510
SENIOR FAREWELL	949	3,470	(3,951)	468	-	-	468
STUDENT COUNCIL	1,044	-	(554)	490	-	-	490
TEACHERS LOUNGE	418	1,138	(1,436)	120	-	-	120
TEXTBOOKS	998	-	-	998	-	-	998
YEARBOOK	1,196	-	(1,196)	-	-	-	-
SPEICAL ED RESOURCE	94	115	-	209	-	-	209
CLASS OF 2011	123	-	-	123	-	-	123
AWARD ACCOUNT	9	1,052	(790)	271	-	-	271
COMPUTER LAB	60	-	-	60	-	-	60
CULINARY 2	509	270	(724)	55	-	-	55
AP CLASS	3,682	16,635	(2,624)	17,693	-	-	17,693
EMBROIDERY DESIGNS	20	-	-	20	-	-	20
CLASS OF 2013	-	1,255	-	1,255	-	-	1,255
CLASS OF 2014	610	-	(610)	-	-	-	-
CLASS OF 2015	1,868	3,182	(2,708)	2,342	-	-	2,342
CLASS OF 2016	-	11,545	(6,305)	5,240	-	-	5,240
SP ED LIFE SKILLS CLASS	50	-	-	50	-	-	50
ATHLETICS	5,089	13,848	(8,935)	10,002	(7,730)	-	2,272
BASEBALL	-	22,905	(30,221)	(7,316)	7,316	-	-
BASKETBALL-BOYS	5,494	11,862	(10,362)	6,994	(3,000)	-	3,994
BASKETBALL-GIRLS	-	9,569	(8,786)	783	-	-	783
CHEERLEADERS	-	3,619	(4,679)	(1,060)	1,060	-	-
CROSS COUNTRY	1,681	1,496	(1,633)	1,544	-	-	1,544
FOOTBALL	-	24,511	(27,354)	(2,843)	3,000	-	157
GOLF-BOYS	1,157	1,994	(1,955)	1,196	-	-	1,196
GOLF-GIRLS	1,810	1,246	(915)	2,141	-	-	2,141
REGIONAL BASEBALL	50	-	-	50	(50)	-	-
SOCCER-BOYS	3,717	4,273	(5,983)	2,007	(420)	-	1,587
SOCCER GIRLS	789	3,720	(4,930)	(421)	420	-	(1)
SOFTBALL	3,648	9,568	(9,588)	3,628	1,000	-	4,628
SPORTS MEDICINE	470	-	-	470	(470)	-	-
TENNIS	2,843	5,776	(4,285)	4,334	-	-	4,334
TRACK-BOYS	1,481	1,845	(2,362)	964	-	-	964
TRACK-GIRLS	739	2,884	(3,564)	59	-	-	59
VOLLEYBALL-GIRLS	329	4,817	(4,718)	428	-	-	428
CHARITIES	-	1,210	-	1,210	(1,210)	-	-
TOTAL	\$ 205,403	\$ 234,941	\$ (363,179)	\$ 77,165	\$ -	\$ 484	\$ 77,649

CARTER COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
SCHOOL ACTIVITY FUNDS - WEST CARTER HIGH SCHOOL
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Cash Balance June 30, 2014	Receipts	Disbursements	Transfers	Cash Balance June 30, 2015
ACADEMIC CLUB	\$ 16	\$ 2,318	\$ (2,055)	\$ (65)	\$ 214
ADVANCED KY	-	8,756	(8,709)	-	47
ART	64	88	(251)	99	-
BAND	44	5,092	(3,560)	(107)	1,469
BETA CLUB	1,481	6,061	(7,197)	-	345
CADET ACCOUNT	583	753	(790)	(78)	468
CENTRAL	2,454	2,911	(5,318)	776	823
CHORUS	251	602	(626)	-	227
DRAMA CLUB	-	1,280	(801)	-	479
FBLA	111	3,308	(2,977)	392	834
FCA	214	-	-	-	214
FCCLA	116	2,123	(1,982)	-	257
FFA	15,044	47,532	(47,697)	(1,605)	13,274
GUIDANCE	550	1,208	(1,449)	(309)	-
JOHN "HOP" BROWN	26,998	-	(26,998)	-	-
JOURNALISM	1	1,527	(1,526)	-	2
Y-CLUB	652	11,565	(11,444)	(39)	734
LIBRARY	1,188	438	(1,090)	-	536
MATH DEPARTMENT	-	180	(431)	251	-
PEP CLUB	429	-	-	-	429
PROM ACCOUNT	209	690	(4,718)	4,500	681
SEEK CLUB	45	-	-	-	45
SENIOR FAREWELL	-	9,345	(940)	-	8,405
SENIOR SPOTLIGHT	-	-	(14)	309	295
SPANISH CLUB	1,645	1,001	(945)	-	1,701
TEACHERS LOUNGE	2	-	-	-	2
TEEN WRITERS	-	2,032	(1,072)	25	985
TEXTBOOKS	821	-	-	-	821
THOMAS K. BONZO	10,930	49	(10,968)	-	11
YEARBOOK	1,222	4,595	(4,915)	(53)	849
SPECIAL ED.	-	306	-	-	306
BIOLOGY CLUB	932	-	-	-	932
SAMANTHA HOLBROOK	182	-	(182)	-	-
AP CLUB	1,371	2,110	(1,180)	-	2,301
16TH REGION PRINCIPAL	1,349	1,325	-	-	2,674
KHSAA CHEER	241	7,143	(7,067)	(317)	-
CLASS OF 2018	-	928	(596)	-	332
CLASS OF 2017	395	1,248	(812)	-	831
CLASS OF 2014	668	-	(592)	-	76
CLASS OF 2015	2,811	5,753	(5,464)	(2,408)	692
CLASS OF 2016	1,152	4,965	(2,588)	(2,000)	1,529
SANDY CLAYTON MEMORIAL	70	-	(70)	-	-
ATHLETICS	6,443	2,117	(6,668)	(868)	1,024
BASEBALL	864	6,151	(7,380)	365	-
BASKETBALL-BOYS	10,030	28,334	(27,613)	1,364	12,115
BASKETBALL-GIRLS	1,631	17,727	(17,726)	1,580	3,212
CHEERLEADERS	1	11,695	(8,826)	317	3,187
DANCE	-	1,379	(688)	-	691
CROSS COUNTRY	426	1,293	(556)	(1,163)	-
DISTRICT BASKETBALL TOURN	-	12,439	(9,328)	(2,800)	311
DISTRICT SOCCER TOUR	-	2,109	(2,002)	(107)	-
DISTRICT VOLLEYBALL TOURN	-	1,811	(730)	(1,081)	-
EKC TOURNAMENT-WES	-	1,980	(1,623)	(357)	-
FOOTBALL	261	17,239	(17,540)	118	78
GOLF-BOYS	-	784	(1,600)	816	-
GOLF-GIRLS	-	646	-	(600)	46
SOCCER-BOYS	-	3,254	(5,473)	2,603	384
SOCCER-GIRLS	370	2,645	(3,761)	746	-
SOFTBALL	2,041	5,328	(4,971)	(1,844)	554
SPORTS MEDICINE	46	1,317	(1,364)	1	-
TENNIS	1,028	2,507	(2,808)	-	727
TRACK-BOYS	-	3,351	(3,809)	458	-
VOLLEYBALL-GIRLS	2,565	18,557	(20,216)	1,081	1,987
ARCHERY TEAM	907	1,756	(1,863)	-	800
RECORDS	168	105	-	-	273
WCYSC	555	1,793	(1,843)	-	505
TOTAL	\$ 101,577	\$ 283,549	\$ (315,412)	\$ -	\$ 69,714

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

Federal Grantor/Pass-Through Grantor <u>Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>Pass-Through</u> <u>Grantor's</u> <u>Number</u>	<u>Expenditures</u> <u>Paid</u>
U.S. Department of Agriculture:			
Passed through State Department of Education			
Child Nutrition Cluster:			
Cash Assistance:			
National School Breakfast Program	10.553	7760005-14	154,722
National School Breakfast Program	10.553	7760005-15	536,315
National School Lunch Program	10.555	7750002-14	383,057
National School Lunch Program	10.555	7750002-15	1,290,296
Administrative Expenses for Child Nutrition	10.555	7850052-12	136,079
Summer Food Service for Children	10.559	7740023-14	17,129
Summer Food Service for Children	10.559	7690024-14	1,783
Non-Cash Assistance:			
National School Lunch Program	10.555	057502-02	176,186
Total Child Nutrition Cluster			<u>2,695,567</u>
Total U.S. Department of Agriculture			<u>2,695,567</u>
Appalachian Regional Commission			
Passed through State Department of Education			
Personal Responsibility in a Desirable Environment	23.002	2704	710
Total Appalachian Regional Commission			<u>710</u>
U.S. Department of Education:			
Passed through State Department of Education			
Title I Grants to Local Educational Agencies Cluster:			
Title I Grants to Local Educational Agencies	84.010	3100002-14	1,543,675
Title I Grants to Local Educational Agencies	84.010	3100202-14	85,781
Title I Grants to Local Educational Agencies	84.010	3100002-13	67,888
Total Title I Grants to Local Educational Agencies Cluster			<u>1,697,344</u>
Vocational Education Basic Grants to States Cluster:			
Vocational Education Basic Grants to States	84.048	3710002-14	39,848
Vocational Education Basic Grants to States	84.048	3710002-14	55,803
Total Vocational Education Basic Grants to States Cluster			<u>95,651</u>
Special Education Grants to States Cluster:			
Special Education Grants to States - IDEA, Part B	84.027	3810002-14	919,744
Special Education Grants to States - IDEA, Part B	84.027	3810002-13	65,063
Special Education Grants to States - IDEA, Part B	84.027	3810002-12	205
Special Education - Pre-School	84.173	3800002-13	504
Special Education - Pre-School	84.173	3800002-14	59,237
Total Special Education Grants to States Cluster			<u>1,044,753</u>
Rural and Low Income School Grant	84.358	3140002-14	\$ 101,226

See Notes to the Schedule of Expenditures of Federal Awards.

CARTER COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONT.)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-Through Grantor <u>Program Title</u>	<u>Federal</u> CFDA <u>Number</u>	<u>Pass-Through</u> Grantor's <u>Number</u>	<u>Expenditures</u> <u>Paid</u>
Race To The Top Fund	84.413	3960002-11	7,838
Improving Teacher Quality State Grants	84.367	3230002-14	304,557
School Improvement Grant	84.377	3100302-12	132,223
School Improvement Grant - ARRA	84.377	4100302-09	14,345
Total School Improvement Grant			<u>146,568</u>
Total U.S. Department of Education			<u>3,397,937</u>
U.S. Department of Defense:			
Direct Program:			
Basic, Applied, and Advanced Research in Science and Engineering	12.000	5044	143,872
Total U.S. Department of Defense			<u>143,872</u>
U.S. Department of Health and Human Services			
Passed through State Department of Education			
School-based STD Prevention	93.079	2100001-14	600
Total U.S. Department of Health and Human Services			<u>600</u>
Total Expenditures of Federal Awards			<u>\$ 6,238,686</u>

See Notes to the Schedule of Expenditures of Federal Awards.

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

Note 1 – Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Carter County School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

Note 2 – Food Distribution:

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2015, commodities on hand are included on the total inventory of \$41,464.



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

Kentucky State Committee for
School District Audits
Members of the Board of Education
Carter County School District
Grayson, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Carter County School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Carter County School District's basic financial statements, and have issued our report thereon dated December 18, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that were reported to management of the Carter County School District in a separate letter dated December 18, 2015.

Purpose of this Report

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

The Fyffe Jones Group, AL

THE FYFFE JONES GROUP, AC

Ashland, Kentucky
December 18, 2015



The Fyffe Jones Group, AC

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

Kentucky State Committee for
School District Audits
Members of the Board of Education
Carter County School District
Grayson, Kentucky

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Carter County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the "Auditor Responsibilities" Section of the *Kentucky Public School Districts' Audit Contract and Requirements*, 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 Carter County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

The Fyffe Jones Group, AC

THE FYFFE JONES GROUP, AC

Ashland, Kentucky
December 18, 2015

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

A. Summary of Audit Results:

Financial Statements

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	None Reported
Noncompliance material to financial statements?	No

Federal Awards

Internal control over major programs	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	None Reported
Type of auditor’s report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 Section 510 (a)?	No

The District had the following major federal award programs with CFDA numbers in parentheses for the year ended June 30, 2015:

- Title I – Grants to Local Education Agencies (84.010)
- Title II – Improving Teacher Quality (84.367)
- Rural and Low-Income Schools Grant (84.358)

The dollar threshold used for distinguishing between Type A and Type B programs was \$300,000.

The Carter County School District qualified as a low-risk auditee under OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

B. Findings Relating to the Financial Statements Required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

No matters were reported.

C. Findings and Questioned Costs Related to Federal Awards:

No matters were reported.

CARTER COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

No findings reported in the prior year.

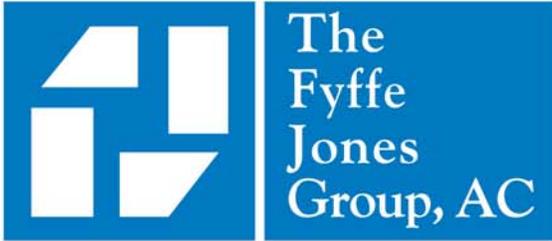
CARTER COUNTY SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Name of Contact Person:

Ronnie Dotson (606) 474-6696

Corrective Action Planned:

No corrective action plan is needed in the current year.



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Kentucky State Committee for School District Audits
Members of the Board of Education
Carter County School District
Grayson, Kentucky

In planning and performing our audit of the financial statements of Carter County School District (the "District") as of and for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

During our audit we did not become aware of matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated December 18, 2015, on the financial statements of the District.

During our audit we did review the status of prior year comments. The memorandum that accompanies this letter summarizes our prior year comments and the action and resolution regarding these matters.

The Fyffe Jones Group, AC

THE FYFFE JONES GROUP, AC
Ashland, Kentucky
December 18, 2015

CARTER COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Current Year Management Points

None

Status of Prior Year Management Points

Management has corrected the prior year management point on student activity funds.