

**CASEY COUNTY SCHOOL DISTRICT**  
**BASIC FINANCIAL STATEMENTS,**  
**SUPPLEMENTARY INFORMATION,**  
**AND INDEPENDENT AUDITOR'S REPORTS**  
Year Ended June 30, 2015

CASEY COUNTY SCHOOL DISTRICT

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## INDEPENDENT AUDITOR'S REPORT

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Members of the Board of Education  
Casey County School District  
Liberty, 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 Casey 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 accompanying table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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 on the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

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

## **Emphasis of a Matter**

As discussed in Note 1 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standards Board Statement 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, Statement 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* and Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 11, budgetary comparison information on pages 46 to 47, schedule of proportionate share of the net pension liability on page 48 and schedule of contributions on page 49 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 Casey County School District's basic financial statements. The combining financial statements, school schedules and schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements, school schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with accounting standards generally accepted in the United States of America. In our opinion, the combining financial statements, school schedules and the schedule of expenditures of federal awards 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 a report dated September 4, 2015, on our consideration of Casey County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the 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 Casey County School District's internal control over financial reporting and compliance.



Certified Public Accountants  
Elizabethtown, Kentucky  
September 4, 2015

**REQUIRED SUPPLEMENTARY INFORMATION**

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

This section of the financial statements for the Casey County School District (District) presents management’s discussion and analysis of the financial performance of the Casey County School District during the fiscal year that ended on June 30, 2015. As management of the District, we offer readers of the District’s financial statements this narrative overview and analysis to highlight and further explain the financial events that have taken place in the past year. We encourage readers to consider the information presented herein along with the District’s financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

- The beginning General Fund Fund Balance was \$6,411,363 at June 30, 2014 and the ending General Fund Fund Balance was \$6,247,606 at June 30, 2015, a decrease of \$163,757.
- The General Fund had \$17,673,711 in revenues, which primarily consisted of funding through the state’s Support Education Excellence in Kentucky (SEEK) program and revenues from property, utilities, and motor vehicle taxes. Excluding interfund transfers, there were \$17,585,636 in General Fund expenditures. These numbers include on-behalf payments.
- SEEK revenue increased \$201,000 from FY 2014. The SEEK Guaranteed Base was \$3,827 in FY 2014, and \$3,911 in FY 2015.
- The 2006 Series Revenue Bonds were refinanced during FY 2015, resulting in savings of \$543,837 in debt service payments.
- Series 2014 Revenue Bonds, in the amount of \$370,000 were sold during FY 2015 for the roof replacement project at the High School and Middle School.
- Tarter Industries donated a welding classroom, located at the Area Technology Center, to the district during FY 2015. The classroom is valued at replacement cost of \$235,750.

**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. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District’s budget for the year.

**Government-wide financial statements.** The government-wide financial statements, Statement of Net Position and Statement of Activities, 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, liabilities, and deferred inflows and outflows of resources of the District, with the bottom line reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating, respectively. To assess the District’s overall health, one needs to consider additional non-financial factors such as changes in the District’s property tax base and the condition of school buildings and other facilities.

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.

In the government-wide financial statements, the District's activities are divided into two categories:

- Governmental activities – Most of the District's basic services are included here, such as regular and special needs education, transportation, operation and maintenance of plant, and administration. Property taxes and state formula aid finance most of these activities.
- Business-type activities – The District charges fees to help cover the costs of certain services it provides. The District's food services, and daycare and community education operations are included here.

The government-wide financial statements can be found in the table of contents of this report.

**Fund financial statements.** The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. 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. Some funds are required by State Laws and by bond covenants. The District establishes other funds to control and manage money for specific purposes (like the Construction Fund) or to show that it is properly using certain Revenues (like the Building Fund, Capital Outlay Fund, and Special Revenue Fund). All of the funds of the District can be divided into three categories: governmental, proprietary, or fiduciary funds.

- Governmental funds: Most of the District's basic services are included in governmental funds, which generally focus on how money flows into and out of those funds and the balances left at year end that are available for spending in future periods. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information with the governmental funds statements that explains the relationships (or differences) between the governmental activities and the governmental funds, through the Statement of Net Position and the Statement of Activities.

The basic governmental fund financial statements can be found in the table of contents of this report.

- Proprietary funds: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match. The District's proprietary funds are food service, day care, and community education.

The basic proprietary fund financial statements can be found in the table of contents of this report.

- Fiduciary funds: Fiduciary funds are used to account for resources held for the benefit of others – not the school district. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the directions of the District. The District's fiduciary funds are two private purpose trust funds, and the school Internal (activity) funds (agency funds).

The basic fiduciary fund financial statements can be found in the table of contents of this report.

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net Position may serve over time as a useful indicator of the District’s financial position. For the District, assets exceeded liabilities by \$17,611,794 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, building 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 is summarized in Table 1.

**Table 1**

**Net Position**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total School District</b>	
	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>
<b>Assets:</b>						
Current and Other Assets	6,905,036	6,745,300	550,529	562,178	7,455,565	7,307,478
Capital Assets	31,649,060	31,271,674	271,334	230,500	31,920,394	31,502,174
<b>Total Assets</b>	<b>38,554,096</b>	<b>38,016,974</b>	<b>821,863</b>	<b>792,678</b>	<b>39,375,959</b>	<b>38,809,652</b>
<b>Deferred Outflow of Resources</b>						
	<b>592,738</b>	<b>1,296,930</b>	<b>-</b>	<b>87,686</b>	<b>592,738</b>	<b>1,384,616</b>
<b>Liabilities:</b>						
Current Liabilities	2,210,693	2,132,153	-	789	2,210,693	2,132,942
Noncurrent Liabilities	16,491,935	19,245,309	-	711,223	16,491,935	19,956,532
<b>Total Liabilities</b>	<b>18,702,628</b>	<b>21,377,462</b>	<b>-</b>	<b>712,012</b>	<b>18,702,628</b>	<b>22,089,474</b>
<b>Deferred Inflow of Resources</b>						
	<b>-</b>	<b>413,635</b>	<b>-</b>	<b>79,365</b>	<b>-</b>	<b>493,000</b>
<b>Net Position:</b>						
Net Investment in						
Capital Assets	13,570,132	15,045,771	271,334	230,500	13,841,466	15,276,271
Restricted	330,115	279,657	-	-	330,115	279,657
Unrestricted Fund Position	6,543,959	2,197,379	550,529	(141,513)	7,094,488	2,055,866
<b>Total Net Position</b>	<b>20,444,206</b>	<b>17,522,807</b>	<b>821,863</b>	<b>88,987</b>	<b>21,266,069</b>	<b>17,611,794</b>

**Changes in net position.** The District's total net position decreased \$3,654,275. This is largely due to the recognition of net pension liability for CERS in accordance with GASB 68. Current assets decreased \$148,087, non-current assets decreased \$418,220 and current liabilities decreased \$77,751. The district's total revenues increased 11.05 percent to \$27,068,907 million. Property taxes and state and formula grants accounted for most of the District's revenues. The following table (Table 2) presents a comparison of revenues, expenses, and changes in net position for the fiscal years ended June 30, 2015 and June 30, 2014.

**Table 2**

**Statement of Activities**

	Governmental Activities		Business-Type Activities		Total School District	
	2014	2015	2014	2015	2014	2015
Revenues:						
Program Revenues:						
Charges for Services	400	650	353,098	180,395	353,498	181,045
Operating Grants and Contributions	6,795,393	9,212,041	1,297,822	1,529,123	8,093,215	10,741,164
Capital Grants and Contributions	2,108,377	2,104,261			2,108,377	2,104,261
General Revenue:						
Property Taxes	2,256,677	2,349,926			2,256,677	2,349,926
Motor Vehicle Taxes	441,477	450,170			441,477	450,170
Utility Taxes	764,302	748,819			764,302	748,819
Unmined Minerals	982	1,758			982	1,758
State and formula grants	10,105,638	10,306,672			10,105,638	10,306,672
Unrestricted Investment Earnings	107,466	45,594	6,765	3,143	114,231	48,737
Extraordinary Item	83,320	132,074	-	-	83,320	132,074
Miscellaneous	52,798	4,281			52,798	4,281
<b>Total Revenues</b>	<b>22,716,830</b>	<b>25,356,246</b>	<b>1,657,685</b>	<b>1,712,661</b>	<b>24,374,515</b>	<b>27,068,907</b>
Program Expenses:						
Instruction	13,732,402	15,515,906			13,732,402	15,515,906
Support Services:						
Student	1,088,703	1,214,219			1,088,703	1,214,219
Instructional Staff	598,239	656,160			598,239	656,160
District Administration	423,363	701,868			423,363	701,868
School Administration	1,010,947	1,088,370			1,010,947	1,088,370
Business	659,164	667,245			659,164	667,245
Plant Operation and Maintenance	2,005,775	1,932,839			2,005,775	1,932,839
Student Transportation	1,977,282	1,785,877			1,977,282	1,785,877
Food Service Operations	-	-	1,550,704	1,558,187	1,550,704	1,558,187
Community Services Operations	237,663	246,455	20,798	11,721	258,461	258,176
Enterprise Operations	-	-	115,044	142,031	115,044	142,031
Other	-	72,406			-	72,406
Interest	649,913	572,898			649,913	572,898
Depreciation	-	-	-	-	-	-
<b>Total Expenses</b>	<b>22,383,451</b>	<b>24,454,243</b>	<b>1,686,546</b>	<b>1,711,939</b>	<b>24,069,997</b>	<b>26,166,182</b>
<b>Change in Net Position</b>	<b>333,379</b>	<b>902,003</b>	<b>(28,861)</b>	<b>722</b>	<b>304,518</b>	<b>902,725</b>
Net Position, Beginning, as restated	20,110,827	16,620,804	850,724	88,265	20,961,551	16,709,069
Net Position, Ending	20,444,206	17,522,807	821,863	88,987	21,266,069	17,611,794

The total cost of all programs and resources increased 8.68 percent from \$24,069,997 to \$26,166,182. The District's expenses are predominantly related to educating and caring for students (59.3%). The purely administrative activities of the District accounted for 16.54% of total costs. Instructional costs increased \$1,783,504 (12.99%).

Total revenue surpassed expenses, increasing net position \$902,725 over the prior year.

**Governmental Activities**

Governmental Activities’ net position increased \$902,003 over the prior year. Revenues for the District’s governmental activities increased \$2,639,416, whereas total expenses increased \$2,070,792.

**Business-type activities**

The business-type activities consist of the food service, day care, and community education programs. These programs had total revenues of \$1,716,661 and expenses of \$1,711,939 for the fiscal year 2015. Revenues for the District’s business-type activities increased \$.54,976, whereas total expenses increased 25,393. The net position increased by \$722. These business-type activities receive no support from tax revenues, and, as such, the District will continue to monitor these activities and make the necessary adjustments to the operations of these activities.

**FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS**

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$6,527,263, which is a decrease of \$214,215 from the prior year.

Table 3 shows revenues and expenses for selected funds.

**Table 3**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Other Governmental Funds</b>
<b>Revenues:</b>			
Local Revenue	3,296,119.00	38,871.00	305,079.00
State Revenue	14,288,942.00	944,620.00	2,104,261.00
Federal Revenue	88,650.00	2,460,755.00	-
Other	-	75,000.00	1,523,596.00
<b>Total Revenues</b>	<b>17,673,711.00</b>	<b>3,519,246.00</b>	<b>3,932,936.00</b>
<b>Expenditures:</b>			
Instruction	9,807,493.00	3,191,665.00	-
Student Support	1,193,440.00	25,039.00	-
Instructional Staff	569,987.00	89,228.00	-
District Admin	583,446.00	-	-
School Support	1,092,431.00	-	-
Business Support	676,878.00	-	-
Plant Operation & Maintenance	1,955,630.00	1,160.00	-
Student Transportation	1,676,970.00	-	-
Community Svc.	29,361.00	224,460.00	-
Debt Service	-	-	2,318,446.00
Fund Transfer/Other	119,758.00	-	1,652,642.00
Extraordinary Item	132,074.00	-	-
<b>Total Expenditures</b>	<b>17,837,468.00</b>	<b>3,531,552.00</b>	<b>3,971,088.00</b>
<b>Revenue Over (Under) Expenses</b>	<b>(163,757.00)</b>	<b>(12,306.00)</b>	<b>(38,152.00)</b>

### General Fund Revenue/Expenditures (Fund 1)

The majority of revenue was derived from State Sources (82.4%) with local property, motor vehicle and utility taxes making up 17.12% of total revenue.

The instruction function comprises 58.65% of the expenditures. The instruction function includes the Schools' expenditures for staff and supplies. The student support services function is comprised of spending for attendance services, guidance counseling, health services, psychological testing, and speech, hearing and vision services. The instructional staff support function includes spending for staff support personnel and librarians. The district administration support function includes spending for workers comp, sick leave pay for retirees, property insurance, tax collection fees, and superintendent's office expenses. The school support function includes spending for principals and secretaries. The Plant Operation and Maintenance function accounts for 10.07% of the expenditures, while the Student Transportation services function accounts for 8.63%. Community services expenditures includes activities concerned with providing services to students, staff, or the community which are not considered instructional.

### Special Revenue Fund Revenue/Expenditures

The majority of revenue was derived from federal sources (69.92%). The majority of expenditures (90.38%) is spent in the instructional function.

### Other Governmental Funds Revenue/Expenditures

Fund 310 is the capital outlay fund and Fund 320 is the building fund (FSPK). State funding makes up the Capital Outlay fund and the building fund is made up of state and local revenue. Fund 400 is the debt service fund and is used to make bond payments. Therefore, the Funds 310 and 320 were used to collect the state and local revenues, and transfers were then made to Fund 400 as debt service payments came due.

### CAPITAL ASSETS

At the end of fiscal 2015, the District had \$31,502,178 invested in capital assets, including land, buildings, buses, computers and other equipment. This amount represents a net decrease (including additions and deductions) of \$418,216, or 1.31%, from last year.

**Table 4**  
**Capital Assets at Year-End**  
**(Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Totals	
	2014	2015	2014	2015	2014	2015
Land	1,674,789	1,614,081	-	-	1,674,789	1,614,081
Buildings & Improvements	28,145,938	28,131,122	-	-	28,145,938	28,131,122
Technology Equipment	413,444	347,242	-	-	413,444	347,242
Vehicles	1,153,610	926,448	-	-	1,153,610	926,448
General Equipment	261,279	214,750	271,334	230,501	532,612	445,252
Construction in Progress	-	38,032	-	-	-	38,032
<b>Totals</b>	<b>31,649,060</b>	<b>31,271,676</b>	<b>271,334</b>	<b>230,501</b>	<b>31,920,394</b>	<b>31,502,178</b>

## DEBT

The District had a SFCC Bond Sale in the amount of \$370,000 in FY 2015 to finance the roof replacement project at Casey County High School and Casey County Middle School. The District also refinanced the 2006 Series Bonds in FY 2015.

**Table 5**  
**Outstanding Debt at Year-End**  
**(in Millions)**

	Government Activities	
	2014	2015
General Obligation Bonds	18,078,928	17,065,827
	<hr/>	<hr/>
Total Obligations	<u>18,078,928</u>	<u>17,065,827</u>

### Comments on Budget Comparisons

Over the course of the fiscal year, the District revised the annual operating budget as needed and to meet the statutory deadlines from the Kentucky Department of Education.

- Actual General Fund revenues exceeded the budget by \$2,618,686. The line item that varied most significantly was SEEK revenues and on-behalf payments. The District budgeted SEEK at only 97.4% in order to be conservative. On-behalf payments were budgeted at the same amount as in the prior fiscal year, to be conservative, and they increased substantially in FY 2015 due to an increase in the KTRS on-behalf payments. On-behalf payments are payments the state makes on behalf of employees to the various agencies for health and life insurance, benefits, administration fees, technology, and debt service. The total on-behalf payments for 2015 and 2014 were \$5,567,644 and \$3,549,606.
- Actual General Fund expenditures were less than budget by \$769,548. This is primarily due to management's conservative style of budgeting and also budgeting for major maintenance issues at the High School, Middle School, and Liberty Elementary School that did not have to be undertaken in FY 2015. The District also benefitted from an unexpected reduction in the price of diesel fuel, which resulted in the District's expenditure decreasing \$110,000 from that of the prior fiscal year.

### FUTURE BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1-June 30. Some federal programs 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 final working budget with \$663,794 in contingency (3.86%). The Casey County School District is financially sound. However, the current state and national financial climate requires the District to remain prudent. The District has been required to provide financial support for unfunded mandates imposed by the state and federal government. The most recent includes a mandated 1% salary increase for all staff in FY 2015, and an additional 2% mandated salary increase for FY 2016. A significant amount of this mandated salary increase will have to be funded with local tax dollars.

The District also revamped the classified salary schedules in the fall of 2014. The financial impact of that change will not be reflected in the financial statements until FY 2016.

Issues which will impact future budgets include:

- State budgetary shortfalls which could result in the inability to fully fund SEEK.
- Insufficient funding of the state transportation formula.
- Increasing retirement costs to be borne by district could be significant.
- Unknown costs associated with the Affordable Care Act.
- The District has not experienced any real growth in student population for several years, although costs of providing services continues to increase. Management will continue to be challenged with balancing our staffing needs with declining enrollment and prudently providing the resources to meet the students' needs in a time of increasing prices for goods and services.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact Deena Randolph, Manager of District-Wide Services, at (606) 787-6941 or by mail at Casey County Board of Education, 1922 N. US 127, Liberty, Kentucky 42539.

## **BASIC FINANCIAL STATEMENTS**

CASEY COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2015

<b>Assets</b>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
<b><u>Current Assets</u></b>			
Cash and cash equivalents	\$ 6,446,708	\$ 523,187	\$ 6,969,895
Inventory		22,955	22,955
Receivables:			
Taxes-current	96,480		96,480
Taxes-delinquent	1,628		1,628
Other receivables	44,144		44,144
Intergovernmental-Indirect Federal	119,499	16,036	135,535
Intergovernmental-direct Federal	35,936		35,936
Prepays	905		905
<b>Total Current Assets</b>	<b>6,745,300</b>	<b>562,178</b>	<b>7,307,478</b>
<b><u>Noncurrent Assets</u></b>			
Non-depreciable capital assets	952,429		952,429
Depreciable capital assets, net of accumulated depreciation	30,319,245	230,500	30,549,745
<b>Total Noncurrent Assets</b>	<b>31,271,674</b>	<b>230,500</b>	<b>31,502,174</b>
<b>Total Assets</b>	<b>38,016,974</b>	<b>792,678</b>	<b>38,809,652</b>
<b><u>Deferred Outflows of Resources</u></b>			
Deferred amount on debt refundings	839,924		839,924
CERS pension contributions	457,006	87,686	544,692
<b>Total Deferred Outflows of Resources</b>	<b>1,296,930</b>	<b>87,686</b>	<b>1,384,616</b>
<b>Liabilities</b>			
<b><u>Current Liabilities</u></b>			
Accounts payable	73,539	789	74,328
Accrued liabilities	6,111		6,111
Unearned revenue	128,920		128,920
Bond obligations	1,795,000		1,795,000
Compensated absences	26,787		26,787
Interest payable	101,796		101,796
<b>Total Current Liabilities</b>	<b>2,132,153</b>	<b>789</b>	<b>2,132,942</b>
<b><u>Noncurrent Liabilities</u></b>			
Bond obligations	15,270,827		15,270,827
Compensated absences	267,705		267,705
Net pension liability - CERS	3,706,777	711,223	4,418,000
<b>Total Noncurrent Liabilities</b>	<b>19,245,309</b>	<b>711,223</b>	<b>19,956,532</b>
<b>Total Liabilities</b>	<b>21,377,462</b>	<b>712,012</b>	<b>22,089,474</b>
<b><u>Deferred Inflows of Resources</u></b>			
CERS net investment difference	413,635	79,365	493,000
<b>Total Deferred Inflows of Resources</b>	<b>413,635</b>	<b>79,365</b>	<b>493,000</b>
<b><u>Net Position</u></b>			
Net investment in capital assets	15,045,771	230,500	15,276,271
Restricted	279,657		279,657
Unrestricted	2,197,379	(141,513)	2,055,866
<b>Total Net Position</b>	<b>\$ 17,522,807</b>	<b>\$ 88,987</b>	<b>\$ 17,611,794</b>

The notes to the financial statements are an integral part of this statement.

CASEY COUNTY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2015

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges For Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
Instruction	\$ 15,515,906	\$ 650	\$ 7,379,507	\$ -	\$ (8,135,749)	\$ -	\$ (8,135,749)
Support services:							
Student	1,214,219		426,246		(787,973)		(787,973)
Instruction staff	656,160		291,484		(364,676)		(364,676)
District administrative	701,868		80,970		(620,898)		(620,898)
School administrative	1,088,370		366,126		(722,244)		(722,244)
Business	667,245		85,512		(581,733)		(581,733)
Plant operation and maintenance	1,932,839		147,724		(1,785,115)		(1,785,115)
Student transportation	1,785,877		209,379		(1,576,498)		(1,576,498)
Community service activities	246,455		225,093		(21,362)		(21,362)
Other	72,406				(72,406)		(72,406)
Facilities acquisition and construction				662,773	662,773		662,773
Interest on long-term debt	572,898			1,441,488	868,590		868,590
<b>Total Governmental Activities</b>	<b>24,454,243</b>	<b>650</b>	<b>9,212,041</b>	<b>2,104,261</b>	<b>(13,137,291)</b>	<b>-</b>	<b>(13,137,291)</b>
<b>Business-Type Activities:</b>							
Food service	1,558,187	80,600	1,475,003			(2,584)	(2,584)
Daycare	142,031	89,280	52,737			(14)	(14)
Community education	11,721	10,515	1,383			177	177
<b>Total Business-Type Activities</b>	<b>1,711,939</b>	<b>180,395</b>	<b>1,529,123</b>	<b>-</b>	<b>-</b>	<b>(2,421)</b>	<b>(2,421)</b>
<b>Total Primary Government</b>	<b>\$ 26,166,182</b>	<b>\$ 181,045</b>	<b>\$ 10,741,164</b>	<b>\$ 2,104,261</b>	<b>(13,137,291)</b>	<b>(2,421)</b>	<b>(13,139,712)</b>
			<b>General Revenues:</b>				
			Taxes:				
			Property taxes	2,349,926			2,349,926
			Motor vehicle taxes	450,170			450,170
			Utility taxes	748,819			748,819
			Other taxes	1,758			1,758
			Investment earnings	45,594	3,143		48,737
			State and formula grants	10,306,672			10,306,672
			Miscellaneous	4,281			4,281
			<i>Extraordinary item - KSBIT</i>	132,074			132,074
			<b>Total general revenues and extraordinary item</b>	<b>14,039,294</b>	<b>3,143</b>		<b>14,042,437</b>
			Change in net position	902,003	722		902,725
			Net position - beginning, as previously reported	20,444,206	821,863		21,266,069
			Restatement for adoption of GASB 68	(3,823,402)	(733,598)		(4,557,000)
			Net position - beginning, as restated	16,620,804	88,265		16,709,069
			Net position - ending	<b>\$ 17,522,807</b>	<b>\$ 88,987</b>		<b>\$ 17,611,794</b>

The notes to the financial statements are an integral part of this statement.

**FUND FINANCIAL STATEMENTS**

CASEY COUNTY SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2015

	General Fund	Special Revenue	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Cash and cash equivalents	\$ 6,199,048	\$ 5,762	\$ 241,898	\$ 6,446,708
Receivables:				
Taxes - current	96,480			96,480
Taxes - delinquent	1,628			1,628
Other receivables	37,653	6,491		44,144
Intergovernmental - Indirect Federal		119,499		119,499
Intergovernmental - Direct Federal		35,936		35,936
Prepays	905			905
<b>Total Assets</b>	<u>\$ 6,335,714</u>	<u>\$ 167,688</u>	<u>\$ 241,898</u>	<u>\$ 6,745,300</u>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities</b>				
Accounts payable	\$ 72,530	\$ 1,009		\$ 73,539
Accrued liabilities	6,111			6,111
Compensated absences	9,467			9,467
Unearned revenue		128,920		128,920
<b>Total Liabilities</b>	88,108	129,929	-	218,037
<b>Fund Balances</b>				
Nonspendable	905			905
Restricted		37,759	241,898	279,657
Committed	3,036,284			3,036,284
Assigned	28,973			28,973
Unassigned	3,181,444			3,181,444
<b>Total Fund Balances</b>	<u>6,247,606</u>	<u>37,759</u>	<u>241,898</u>	<u>6,527,263</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 6,335,714</u>	<u>\$ 167,688</u>	<u>\$ 241,898</u>	<u>\$ 6,745,300</u>

The notes to the financial statements are an integral part of this statement.

**CASEY COUNTY SCHOOL DISTRICT**

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO  
THE STATEMENT OF NET POSITION**

June 30, 2015

Total fund balance per fund financial statements	\$ 6,527,263
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.	31,271,674
Governmental funds record debt refundings as other financing uses when the issues are refunded. Unamortized losses on refundings are reported on the statement of net position as deferred outflows of resources.	839,924
Governmental funds do not record deferred outflows of resources for pension contributions after the measurement date but those are reported on the statement of net position as deferred outflows of resources.	457,006
Governmental funds do not record deferred inflows of resources for changes in the net investment difference but those are reported on the statement of net position as deferred inflows of resources.	(413,635)
Certain liabilities are not reported in this fund financial statement because because they are not due and payable, but they are presented in the statement of net position:	
Bonds payable (net of discounts/premiums)	(17,065,827)
Interest payable	(101,796)
Compensated absences	(285,025)
Net pension liability - CERS	<u>(3,706,777)</u>
Net position for governmental activities	<u>\$ 17,522,807</u>

The notes to the financial statements are an integral part of this statement.

CASEY COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

Year Ended June 30, 2015

	General Fund	Special Revenue	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
From local sources:				
Taxes:				
Property	\$ 2,044,847	\$ -	\$ 305,079	\$ 2,349,926
Motor vehicle	450,170			450,170
Utilities	748,819			748,819
Other taxes	1,758			1,758
Earnings on investments	45,594	266	7,823	53,683
Other local revenues	4,931	38,605		43,536
Intergovernmental - State	14,288,942	944,620	2,104,261	17,337,823
Intergovernmental - Indirect Federal	88,650	2,324,712		2,413,362
Intergovernmental - Direct Federal		136,043		136,043
<b>Total Revenues</b>	<b>17,673,711</b>	<b>3,444,246</b>	<b>2,417,163</b>	<b>23,535,120</b>
<b>Expenditures:</b>				
Instruction	9,807,493	3,191,665		12,999,158
Support services:				
Student	1,193,440	25,039		1,218,479
Instruction staff	569,987	89,228		659,215
District administrative	583,446			583,446
School administrative	1,092,431			1,092,431
Business	676,878			676,878
Plant operation and maintenance	1,955,315	177		1,955,492
Student transportation	1,676,970	983		1,677,953
Facilities acquisition and construction	315		540,388	540,703
Community service activities	29,361	224,460		253,821
Bond issue costs			67,570	67,570
Debt service:				
Principal			1,785,000	1,785,000
Interest			533,446	533,446
<b>Total Expenditures</b>	<b>17,585,636</b>	<b>3,531,552</b>	<b>2,926,404</b>	<b>24,043,592</b>
<b>Excess (Deficit) of Revenues over Expenditures</b>	<b>88,075</b>	<b>(87,306)</b>	<b>(509,241)</b>	<b>(508,472)</b>
<b>Other Financing Sources (Uses):</b>				
Bond proceeds from revenue bonds			370,000	370,000
Bond proceeds from refunding bonds			6,205,000	6,205,000
Bond discount			(7,400)	(7,400)
Bond premium			51,820	51,820
Payment to refunded bond escrow agent			(6,194,597)	(6,194,597)
Proceeds from disposal of capital assets	1,508			1,508
Transfers in		75,000	1,090,950	1,165,950
Transfers out	(121,266)		(1,044,684)	(1,165,950)
<b>Total Other Financing Sources (Uses)</b>	<b>(119,758)</b>	<b>75,000</b>	<b>471,089</b>	<b>426,331</b>
<b>Extraordinary item - KSBIT</b>	<b>(132,074)</b>			<b>(132,074)</b>
<b>Net Change in Fund Balances</b>	<b>(163,757)</b>	<b>(12,306)</b>	<b>(38,152)</b>	<b>(214,215)</b>
<b>Fund Balance, July 1, 2014</b>	<b>6,411,363</b>	<b>50,065</b>	<b>280,050</b>	<b>6,741,478</b>
<b>Fund Balance, June 30, 2015</b>	<b>\$ 6,247,606</b>	<b>\$ 37,759</b>	<b>\$ 241,898</b>	<b>\$ 6,527,263</b>

The notes to the financial statements are an integral part of this statement.

**CASEY COUNTY SCHOOL DISTRICT**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

Year Ended June 30, 2015

Net change in total fund balances per fund financial statements	\$ (214,215)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which depreciation expense exceeds capital outlays for the year.	(355,091)
The proceeds for the issuance of bonds provide current financial resources and are reported in this fund financial statement but they are presented as liabilities in the statement of net position.	(424,823)
Bond payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.	1,785,000
In the statement of activities, only the gain (loss) on sale of capital assets is reported, whereas in the governmental funds, the proceeds for the sale increased financial resources.	(22,294)
The difference between actuarial pension contributions to CERS and actual contributions made are recorded as adjustments in the statement of activities.	159,994
Estimated claims that are not mature are not reported in this fund financial statement, but those that are probable and reasonably estimable This item is recorded as extraordinary item in the statement of activities as it is unusual in nature and infrequent in occurrence.	132,074
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.	<u>(158,642)</u>
Change in net position of governmental activities	<u>\$ 902,003</u>

The notes to the financial statements are an integral part of this statement.

CASEY COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2015

	Food Service Fund	Daycare Fund	Nonmajor Enterprise Fund - Community Education	Total Enterprise Funds
<b>Assets</b>				
<b><u>Current Assets</u></b>				
Cash and cash equivalents	\$ 519,982	\$ 2,089	\$ 1,116	\$ 523,187
Inventory	22,955			22,955
Intergovernmental receivable - Indirect Federal	16,036			16,036
<b>Total Current Assets</b>	<b>558,973</b>	<b>2,089</b>	<b>1,116</b>	<b>562,178</b>
<b><u>Noncurrent Assets</u></b>				
Capital assets, net of accumulated depreciation	230,500			230,500
<b>Total Noncurrent Assets</b>	<b>230,500</b>	<b>-</b>	<b>-</b>	<b>230,500</b>
<b>Total Assets</b>	<b>789,473</b>	<b>2,089</b>	<b>1,116</b>	<b>792,678</b>
<b>Deferred Outflows of Resources</b>				
CERS pension contributions	74,109	13,545	32	87,686
<b>Total Deferred Outflows of Resources</b>	<b>74,109</b>	<b>13,545</b>	<b>32</b>	<b>87,686</b>
<b>Liabilities</b>				
<b><u>Current Liabilities</u></b>				
Accounts payable	729		60	789
<b>Total Current Liabilities</b>	<b>729</b>	<b>-</b>	<b>60</b>	<b>789</b>
<b><u>Noncurrent Liabilities</u></b>				
Net pension liability - CERS	601,099	109,864	260	711,223
<b>Total Noncurrent Liabilities</b>	<b>601,099</b>	<b>109,864</b>	<b>260</b>	<b>711,223</b>
<b>Total Liabilities</b>	<b>601,828</b>	<b>109,864</b>	<b>320</b>	<b>712,012</b>
<b>Deferred Inflows of Resources</b>				
CERS net investment difference	67,076	12,260	29	79,365
<b>Total Deferred Inflows of Resources</b>	<b>67,076</b>	<b>12,260</b>	<b>29</b>	<b>79,365</b>
<b><u>Net Position</u></b>				
Net investment in capital assets	230,500			230,500
Unrestricted	(35,822)	(106,490)	799	(141,513)
<b>Total Net Position</b>	<b>\$ 194,678</b>	<b>\$ (106,490)</b>	<b>\$ 799</b>	<b>\$ 88,987</b>

The notes to the financial statements are an integral part of this statement.

**CASEY COUNTY SCHOOL DISTRICT**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

Year Ended June 30, 2015

	Food Service Fund	Daycare Fund	Nonmajor Enterprise Fund - Community Education	Total Enterprise Funds
<b>Operating Revenues</b>				
Lunchroom sales	\$ 76,732	-	\$ -	\$ 76,732
Other revenue	3,868	97		3,965
Tuition and fees		89,183	10,515	99,698
<b>Total Operating Revenues</b>	80,600	89,280	10,515	180,395
<b>Operating Expenses</b>				
Salaries and wages	663,976	131,767	7,459	803,202
Materials and supplies	834,479	10,093	3,897	848,469
Depreciation	51,816			51,816
Other operating expenses	6,303	171	365	6,839
<b>Total Operating Expenses</b>	1,556,574	142,031	11,721	1,710,326
Operating (loss)	(1,475,974)	(52,751)	(1,206)	(1,529,931)
<b>Non-Operating Revenues (Expenses)</b>				
Federal grants	1,246,598			1,246,598
Donated commodities	85,411			85,411
State grants	13,823	29,269		43,092
State on-behalf payments	129,171	23,468	1,383	154,022
Loss on disposal of capital assets	(1,613)			(1,613)
Interest income	3,143			3,143
<b>Total Non-Operating Revenues (Expenses)</b>	1,476,533	52,737	1,383	1,530,653
Changes in net position	559	(14)	177	722
<b>Net Position, July 1, 2014, as previously reported</b>	814,129	6,844	890	821,863
<b>Restatement for adoption of GASB 68</b>	(620,010)	(113,320)	(268)	(733,598)
<b>Net Position, July 1, 2014, as restated</b>	194,119	(106,476)	622	88,265
<b>Net Position, June 30, 2015</b>	\$ 194,678	\$ (106,490)	\$ 799	\$ 88,987

The notes to the financial statements are an integral part of this statement.

**CASEY COUNTY SCHOOL DISTRICT**

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year Ended June 30, 2015

	Food Service Fund	Daycare Fund	Nonmajor Enterprise Fund - Community Education	Total Enterprise Funds
<b>Cash Flows from Operating Activities</b>				
Cash received from:				
Lunchroom sales	\$ 76,732	\$ -	\$ -	\$ 76,732
Other revenue	3,868	97		3,965
Tuition and fees		89,183	10,515	99,698
Cash paid to/for:				
Employees	(560,750)	(113,040)	(6,087)	(679,877)
Supplies	(743,145)	(10,093)	(3,837)	(757,075)
Other activities	(6,303)	(171)	(365)	(6,839)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(1,229,598)</b>	<b>(34,024)</b>	<b>226</b>	<b>(1,263,396)</b>
<b>Cash flows from Non-Capital Financing Activities</b>				
Federal grants	1,246,395			1,246,395
State grants	13,823	29,269		43,092
<b>Net Cash Provided by Non-Capital Financing Activities</b>	<b>1,260,218</b>	<b>29,269</b>	<b>-</b>	<b>1,289,487</b>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Purchases of capital assets	(12,596)	-	-	(12,596)
<b>Net Cash Used by Capital and Related Financing Activities</b>	<b>(12,596)</b>	<b>-</b>	<b>-</b>	<b>(12,596)</b>
<b>Cash Flows from Investing Activities</b>				
Receipt of interest income	3,143			3,143
<b>Net Cash Provided by Investing Activities</b>	<b>3,143</b>	<b>-</b>	<b>-</b>	<b>3,143</b>
Net change in cash and cash equivalents	21,167	(4,755)	226	16,638
<b>Balances, beginning of year</b>	<b>498,815</b>	<b>6,844</b>	<b>890</b>	<b>506,549</b>
<b>Balances, end of year</b>	<b>\$ 519,982</b>	<b>\$ 2,089</b>	<b>\$ 1,116</b>	<b>\$ 523,187</b>
Reconciliation of operating loss to net cash provided (used) by operating activities:				
Operating loss	\$ (1,475,974)	\$ (52,751)	\$ (1,206)	\$ (1,529,931)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:				
Depreciation	51,816			51,816
Donated commodities	85,411			85,411
State on-behalf payments	129,171	23,468	1,383	154,022
GASB 68 pension expense	(25,945)	(4,741)	(11)	(30,697)
Change in assets and liabilities:				
Inventory	5,194			5,194
Accounts payable	729		60	789
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (1,229,598)</b>	<b>\$ (34,024)</b>	<b>\$ 226</b>	<b>\$ (1,263,396)</b>
<b>Schedule of Non-cash Transactions</b>				
Donated commodities received from federal government	\$ 85,411	\$ -	\$ -	\$ 85,411
State on-behalf payments	\$ 129,171	\$ 23,468	\$ 1,383	\$ 154,022
CERS Pensions	\$ 48,164	\$ 8,803	\$ 21	\$ 56,988

The notes to the financial statements are an integral part of this statement.

**CASEY COUNTY SCHOOL DISTRICT**

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

June 30, 2015

	Private Purpose Trust Funds	Agency Fund
<b>Assets</b>		
Cash and cash equivalents	\$ 5,323	\$ 188,407
Receivables		2,646
<b>Total Assets</b>	<u>\$ 5,323</u>	<u>\$ 191,053</u>
<b>Liabilities</b>		
Accounts payable	\$ -	\$ 5,779
Due to student groups		185,274
<b>Total Liabilities</b>	<u>\$ -</u>	<u>\$ 191,053</u>
<b>Net Position Held in Trust</b>	<u>\$ 5,323</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

**CASEY COUNTY SCHOOL DISTRICT**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

Year Ended June 30, 2015

	<u>Private Purpose Trust Funds</u>
<b>Additions</b>	
Net interest and investment gains	\$ 32
<b>Deductions</b>	
Expenses paid	<u>(500)</u>
Change in net position	(468)
<b>Net Position, beginning of year</b>	<u>5,791</u>
<b>Net Position, end of year</b>	<u><u>\$ 5,323</u></u>

The notes to the financial statements are an integral part of this statement.

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

## CASEY COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Casey County School District (the "District") have been prepared to conform with Accounting Principles Generally Accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

##### A. REPORTING ENTITY

The Casey County Board of Education ("Board"), a five-member group, is the level of government, which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Casey County School District. 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.

For financial reporting purposes, the accompanying financial statements include all of the operations over which the District is financially accountable. The District is financially accountable for organizations that make up its legal entity, as well as legally separate organizations that meet certain criteria. In accordance with GASB 14, "The Financial Reporting Entity," as amended by GASB 39, "Determining Whether Certain Organizations Are Component Units", the criteria for inclusion in the reporting entity involve those cases where the District or its officials appoint a voting majority of an organization's governing body, and is either able to impose its will on the organization or there is a potential for the organization to provide specific financial benefits to or to impose specific financial burdens on the District or the nature and significance of the relationship between the District and the organization is such that exclusion would cause the District's financial statements to be incomplete. Applying this definition, District management has determined that the component unit reportable within the accompanying financial statements is the Casey County School District Finance Corporation, (the "Corporation"). 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 Boosters, Parent-Teacher Associations, etc.

Blended Component Unit - Casey County School District Finance Corporation – In a prior year, the Board of Education resolved to authorize the establishment of the Casey County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the "Corporation") as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors. Therefore, the financial activities of the Corporation have been blended (reported as if it were part of the District) with those of the District. The Corporation does not publish individual component unit financial statements.

##### B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

###### Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds.

## CASEY COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

#### Fund Financial Statements

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

The Governmental Funds are accounted for on the "flow of current financial resources" measurement focus. This measurement focus is based on the concept of accountability, which includes measuring interperiod equity whether current year revenues were sufficient to pay for current year services. The Proprietary Funds are accounted for on an "economic resources" measurement focus. Accordingly, the Statement of Revenues, Expenses and Changes in Fund Net Position for the Proprietary Funds reports increases and decreases in total economic net worth. The private purpose trust fund is reported using the economic resources measurement focus.

#### Governmental Funds

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

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

## CASEY COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

- (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. 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.
- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).
  - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
  - 2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
  - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.
- (D) The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal and interest and related costs; and for the payment of interest on notes payable, as required by Kentucky Law.

#### Proprietary Funds

Proprietary Funds are used to account for ongoing organizations and activities, which are operated and financed in a manner similar to those found in the private sector. The measurement focus is upon the determination of net income. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. Operating expenses include salaries, benefits, supplies and other items. All items not meeting this definition are reported as nonoperating revenues and expenses. The District has three Proprietary Funds.

- (A) The Food Service Fund is used to account for school food service activities, including the National School Lunch and Breakfast Programs, which are conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA and for on-behalf payments for retirement and health insurance paid by the State of Kentucky. This is a major fund.
- (B) The Daycare program is used to account for funds received from tuition fees charges for after school care of students. This is a major fund.
- (C) The Community Education Fund is used to account for educational opportunities to the general public.

## CASEY COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

##### Fiduciary Funds

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

- A. 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. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.
- B. The Private Purpose Trust Funds are used to report trust arrangements under which principal and income benefit individuals, private organizations or other governments. Revenues consist of donations and interest income. Expenditures represent scholarships.

##### BASIS OF ACCOUNTING

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

##### Modified Accrual

Under the modified accrual basis, revenues are recognized in the accounting period in which they become susceptible to accrual, i.e., both available and measurable. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Significant revenues susceptible to accrual include ad valorem taxes, reimbursable-type grants and interest on investments. The District considers all revenues (with the exception of the expenditure-driven grants) as available if they are collected within sixty (60) days after year-end. The expenditure driven grants are considered available if received within one year from the balance sheet date. Property tax revenue is recognized when taxes are received, except at year end when revenue is recognized for taxes received by the District within sixty (60) days subsequent to fiscal year end. Expenditures are recognized in the accounting period in which the liability is incurred. However, exceptions include the amount of unmatured principal and interest on general long-term debt, compensated absences, claims and judgments and certain prepaids which are recognized when due/paid.

In applying the susceptible to accrual concept to revenues from Federal and State sources, the legal contractual requirements of the numerous individual programs are used as guidance. Revenue from grants and entitlements is recognized when all eligibility requirements have been satisfied. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before the District will receive any amounts; therefore, revenues are recognized based upon the occurrence of expenditures. In the other type, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed legal and contractual requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met. In all cases, monies received before the revenue recognition criteria have been met are reported as unearned revenue.

## CASEY COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

##### Accrual

Under the accrual basis of accounting, revenues are recognized in the period earned and expenses are recognized in the period incurred.

##### Revenue Recognition

State Revenue Sources - Revenues from State sources for current operations are primarily from the Support Education Excellence in Kentucky ("SEEK"), administered by the Kentucky Department of Education ("KDE"). The District files reports on average daily attendance ("ADA") student membership with the KDE. The KDE accumulates information from these reports and calculates the allocation of SEEK funds to the District. After review and verification of ADA reports and supporting documentation, the KDE may adjust subsequent fiscal period allocations of SEEK funding. Normally, such adjustments are treated as reductions of revenue in the year the reduction is made, as amounts are not significant.

Property Taxes - On an accrual basis, property tax revenue anticipated to be collected is recognized in the fiscal year for which it is levied. Delinquent taxes collected in subsequent periods are recognized as revenue during the fiscal year in which they are received.

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

#### C. BUDGETARY POLICIES

##### Budgetary Process

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

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

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

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. All budget appropriations lapse at year-end.

#### D. ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve a portion of an applicable appropriation, is utilized for budgetary control purposes. Encumbrances are not the equivalent of expenditures, and accordingly, amounts assigned for encumbrances at the governmental fund level indicate that portion of the fund balance segregated for expenditure upon vendor performance.

**CASEY COUNTY SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**

June 30, 2015

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**E. CASH AND CASH EQUIVALENTS**

For purposes of the statement of cash flows, cash equivalents are considered to be demand deposits, money market funds, and other investments with an original maturity of 90 days or less.

**F. INVENTORIES**

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

**G. PREPAID ITEMS**

Expenditures for insurance and similar services extending over more than one accounting period are not allocated between or among accounting periods in the governmental funds and are instead accounted for as expenditures in the period of acquisition (Purchase method).

**H. CAPITAL ASSETS**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds. All capital assets greater than \$5,000 are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District does not possess any infrastructure. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an assets' life are not. 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>
Land improvements	20 years
Buildings and improvements	25-50 years
Technology equipment	5 years
Vehicles	5-10 years
General equipment	5-15 years
Food service equipment	5-12 years

## CASEY COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

##### I. LONG-TERM DEBT

In the fund-level financial statements, governmental funds report the face amount of debt issued, as well as any premiums (discounts) as other financing sources (uses). Debt issuance costs are reported as debt service expenditures. In the government-wide financial statements, long-term debt is reported as liabilities in the statement of net position. Bond premiums/discounts are amortized over the life of the bonds while deferred loss on advance refundings are amortized over the shorter of the remaining life of the refunded bonds or the life of the new bonds both in a systematic and rational method, which approximates the effective-interest method.

##### J. COMPENSATED ABSENCES

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

##### K. ACCOUNTING ESTIMATES

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

##### L. IMPACT OF RECENTLY ISSUED ACCOUNTING PRINCIPLES

###### Recently Issued And Adopted Accounting Principles

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27*. GASB 68, as amended by GASB 71 addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.

Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

## CASEY COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, the Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This statement was adopted during the fiscal year ended June 30, 2015 and required a restatement to net position for governmental activities, the food service fund and the daycare fund.

In March 2014, the GASB issued Statement 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. GASB 70 requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This statement was adopted during the fiscal year ended June 30, 2015 and did not have an impact on the District's financial statements.

#### Recently Issued Accounting Pronouncements

In January 2014, the GASB issued Statement 69, *Government Combinations and Disposals of Government Operations*. GASB 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This statement is effective for periods beginning after December 15, 2014. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In February 2015, the GASB issued Statement 72, *Fair Value Measurement and Application*. GASB 69 establishes accounting and financial reporting standards related to fair value measurements. This statement is effective for periods beginning after June 15, 2015. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In June 2015, the GASB issued Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement is effective for periods beginning after June 15, 2016. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In June 2015, the GASB issued Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement is effective for periods beginning after June 15, 2016. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In June 2015, the GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement is effective for periods beginning after June 15, 2017. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

**CASEY COUNTY SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**

June 30, 2015

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

In June 2015, the GASB issued Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement is effective for periods beginning after June 15, 2015. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In August 2015, the GASB issued Statement 77, *Tax Abatement Disclosures*. This statement is effective for periods beginning after December 15, 2015. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

**NOTE 2 – PROPERTY TAXES**

Property Tax Revenues – Property taxes are normally levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund. The usual collection date is the period from November 1 through December 31. Property tax bills paid prior to December 1 receive a two percent discount. Property taxes received after December 31, are considered to be delinquent and the County Attorney can file a lien against the property.

The property tax rates assessed for the year ended June 30, 2015, to finance operations were \$.436 per \$100 valuation for real property, \$.434 per \$100 valuation for business personal property and \$.563 per \$100 valuation for motor vehicles.

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

**NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS**

Deposits

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy is to have all deposits secured by pledged securities. At June 30, 2015, \$7,822,234 of the District's bank balance of \$8,082,195 was exposed to custodial credit risk. The bank balance not covered by depository insurance was collateralized by securities held by the pledging financial institution.

**NOTE 4 – INTERFUND ACTIVITIES**

The following transfers were made during the year:

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Special Revenue	Technology Match	\$ 75,000
General	Nonmajor Governmental	Construction	46,266
Nonmajor Governmental	Nonmajor Governmental	Construction	168,860
Nonmajor Governmental	Debt Service	Debt	875,824
			<u>\$ 1,165,950</u>

**CASEY COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

**NOTE 5 – CAPITAL ASSETS**

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

Governmental Activities	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 914,397	\$ -	\$ -	\$ 914,397
Construction in progress	-	540,388	(502,356)	38,032
<b>Total Capital Assets Not Being Depreciated</b>	<b>914,397</b>	<b>540,388</b>	<b>(502,356)</b>	<b>952,429</b>
<b>Capital Assets Being Depreciated:</b>				
Land improvements	1,573,614			1,573,614
Buildings and improvements	38,426,830	798,427		39,225,257
Technology equipment	1,378,157	85,959	(207,891)	1,256,225
Vehicles	3,648,098			3,648,098
General equipment	886,228	10,573	(42,665)	854,136
<b>Total Capital Assets Being Depreciated at Historical Cost</b>	<b>45,912,927</b>	<b>894,959</b>	<b>(250,556)</b>	<b>46,557,330</b>
<b>Accumulated depreciation:</b>				
Land improvements	813,222	60,708		873,930
Buildings and improvements	10,280,891	813,243		11,094,134
Technology equipment	964,713	147,283	(203,012)	908,984
Vehicles	2,494,489	227,162		2,721,651
General equipment	624,949	39,686	(25,249)	639,386
<b>Total accumulated depreciation</b>	<b>15,178,264</b>	<b>1,288,082</b>	<b>(228,261)</b>	<b>16,238,085</b>
<b>Total Other Capital Assets, net</b>	<b>30,734,663</b>	<b>(393,123)</b>	<b>(22,295)</b>	<b>30,319,245</b>
<b>Governmental Activities Capital Assets - Net</b>	<b>\$ 31,649,060</b>	<b>\$ 147,265</b>	<b>\$ (524,651)</b>	<b>\$ 31,271,674</b>
<b>Depreciation was charged to governmental functions as follows:</b>				
Instruction	\$ 1,120,510			
District administration	3,060			
School administration	4,804			
Plant	13,913			
Transportation	145,795			
	<u>\$ 1,288,082</u>			
<b>Business-Type Activities</b>				
<b>Capital Assets Being Depreciated:</b>				
General equipment	\$ 761,597	\$ 12,596	\$ (16,309)	\$ 757,884
<b>Totals at historical cost</b>	<b>761,597</b>	<b>12,596</b>	<b>(16,309)</b>	<b>757,884</b>
<b>Accumulated depreciation:</b>				
General equipment	490,264	51,816	(14,696)	527,384
<b>Total accumulated depreciation</b>	<b>490,264</b>	<b>51,816</b>	<b>(14,696)</b>	<b>527,384</b>
<b>Business-type Activities Capital Assets - Net</b>	<b>\$ 271,333</b>	<b>\$ (39,220)</b>	<b>\$ (1,613)</b>	<b>\$ 230,500</b>

**CASEY COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

**NOTE 6 – 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, errors and omissions and general liability coverage, the District purchases commercial insurance.

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

**NOTE 7 – LONG-TERM LIABILITIES**

A summary of changes in long-term liabilities for the year ended June 30, 2015, is as follows:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Bonds Payable:					
Revenue bonds	\$ 18,220,000	\$ 6,575,000	\$ 7,640,000	\$ 17,155,000	\$ 1,795,000
Less Premium (Discount)	(141,072)	44,420	7,479	(89,173)	-
Total Bonds Payable	18,078,928	6,619,420	7,647,479	17,065,827	1,795,000
Other Liabilities:					
Compensated absences	173,963	236,571	116,042	294,492	26,787
Net pension liability - CERS	-	3,706,778		3,706,778	
Claims	132,074		132,074	-	
Total Other Liabilities	306,037	3,943,349	248,116	4,001,270	26,787
Total Governmental Activities Long-Term Liabilities	<u>\$ 18,384,965</u>	<u>\$ 10,562,769</u>	<u>\$ 7,895,595</u>	<u>\$ 21,067,097</u>	<u>\$ 1,821,787</u>
	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Amounts Due Within One Year
<b>Business Type Activities:</b>					
Net pension liability - CERS	\$ -	\$ 711,223	\$ -	\$ 711,223	\$ -

The debt service fund is primarily responsible for paying the bond obligations through funding from the capital outlay and FSPK funds. The general fund is primarily responsible for paying compensated absences and claims. The general fund, food service fund, daycare fund and community education fund are primarily responsible for paying the net pension liability.

## CASEY COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

#### NOTE 7 – LONG-TERM LIABILITIES – CONTINUED

##### Bond Liabilities

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

<u>Issue</u>	<u>Original Proceeds</u>	<u>Rates</u>
2004R2	\$ 1,540,000	2.00% - 3.80%
2009R	935,000	1.00% - 3.10%
2010R	1,110,000	0.50% - 2.55%
2013	2,010,000	1.00% - 3.00%
2013R	7,265,000	1.00% - 2.25%
2014	370,000	3.45%
2015R	6,205,000	2.00% - 2.35%

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

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

On August 1, 2014, the District issued \$370,000 in 2014 Series Revenue Bonds with an average interest rate of 3.62 percent. The net proceeds of \$353,350 (after \$9,250 in cost of issuance, \$7,400 in bond discount) were deposited in the Construction Fund.

On March 1, 2015, the District issued \$6,205,000 in 2015 Series Refunding Revenue Bonds with an average interest rate of 1.98 percent to advance refund \$5,855,000 of outstanding 2006 Series Bonds. The refunding was a partial advance refunding. The net proceeds of \$6,194,597 (after \$58,320 in cost of issuance, \$51,820 in bond premium and \$3,903 in excess cash which was deposited in the bond payment fund) were used to purchase U.S. Government securities. These securities were deposited in an irrevocable trust to call the bonds.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$339,597. This difference, reported in the accompanying government-wide financial statements as a deferred outflow of resources, is being charged to operations through the year 2027 using the straight-line method.

The District completed the refunding to reduce its total debt service payments over the next 12 years by \$543,837 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$472,704. The 2006 bonds will be called on August 1, 2016. Therefore they are considered defeased.

**CASEY COUNTY SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**

June 30, 2015

**NOTE 7 – LONG-TERM LIABILITIES - CONTINUED**

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:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Participation</u>	<u>District's Portion</u>
2016	\$ 1,795,000	\$ 363,641	\$ 1,412,178	\$ 746,463
2017	1,805,000	325,885	1,380,696	750,189
2018	1,525,000	284,084	1,373,066	436,018
2019	1,515,000	252,951	1,338,895	429,056
2020	1,475,000	222,584	1,264,805	432,779
2021-2025	6,770,000	654,776	5,639,106	1,785,670
2026-2030	1,805,000	143,149	1,909,978	38,171
2031-2035	465,000	25,369	490,369	-
	<u>\$ 17,155,000</u>	<u>\$ 2,272,439</u>	<u>\$ 14,809,093</u>	<u>\$ 4,618,346</u>

**NOTE 8 – PENSION PLANS**

Plan Descriptions

The Casey County School District participates in the Teachers' Retirement System of the State of Kentucky (KTRS), a component unit of the Commonwealth of Kentucky which includes certified employees and the County Employees' Retirement System (CERS), a component unit of the Commonwealth of Kentucky which includes all other employees, both of which are cost-sharing multiple-employer defined benefit plans. KTRS, which qualifies as a special funding situation under GASB 68, and CERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. KTRS is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). Under the provisions of KRS Section 61.645, the Board of Trustees of Kentucky Retirement Systems (KERS) administers the CERS. The KTRS and CERS issue a publicly available financial reports that include financial statements and required supplementary information. KTRS' report may be obtained at [www.ktrs.ky.gov](http://www.ktrs.ky.gov). CERS' report may be obtained at [www.kyret.ky.gov](http://www.kyret.ky.gov).

## CASEY COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

#### NOTE 8 – PENSION PLANS - CONTINUED

##### KTRS

###### Benefits Provided

*For Members Before July 1, 2008:*

Members become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

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

Non-university members receive monthly payments equal to two percent (2%) (service prior to July 1, 1983) and two and one-half percent (2.5%) (service after July 1, 1983) of their final average salaries for each year of credited service. Non-university members who became members on or after July 1, 2002 will receive monthly benefits equal to two percent (2%) of their final average salary for each year of service if, upon retirement, their total service is less than ten (10) years. New members after July 1, 2002 who retire with ten (10) or more years of total service will receive monthly benefits equal to two and one-half percent (2.5%) of their final average salary for each year of service, including the first ten (10) years. In addition, non-university members who retire July 1, 2004 and later with more than thirty (30) years of service will have their multiplier increased for all years over thirty (30) from two and one-half percent (2.5%) to three percent (3%) to be used in their benefit calculation.

University employees receive monthly benefits equal to two percent (2%) of their final average salary for each year of credited service.

The final average salary is the member's five (5) highest annual salaries except members at least age fifty-five (55) with twenty-seven (27) or more years of service may use their three (3) highest annual salaries. For all members, the annual allowance is reduced by 5% per year from the earlier of age 60 or the date the member would have completed 27 years of service. The minimum annual service allowance for all members is \$440 multiplied by credited service.

*For Members On or After July 1, 2008:*

Members become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

- 1.) Attain age sixty (60) and complete five (5) years of Kentucky service, or
- 2.) Complete twenty-seven (27) years of Kentucky service, or
- 3.) Attain age fifty-five (55) and complete ten (10) years of Kentucky service.

The annual retirement allowance for non-university members is equal to: (a) one and seven tenths percent (1.7%) of final average salary for each year of credited service if their service is 10 years or less; (b) two percent (2.0%) of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) two and three tenths percent (2.3%) of final average salary for each year of credited service if their service is greater than 20 years but no more than 26 years; (d) two and one half percent (2.5%) of final average salary for each year of credited service if their service is greater than 26 years but no more than 30 years; (e) three percent (3.0%) of final average salary for years of credited service greater than 30 years.

## CASEY COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

#### NOTE 8 – PENSION PLANS – CONTINUED

The annual retirement allowance for university members is equal to: (a) one and one-half percent (1.5%) of final average salary for each year of credited service if their service is 10 years or less; (b) one and seven tenths percent (1.7%) of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) one and eighty five hundredths percent (1.85%) of final average salary for each year of credited service if their service is greater than 20 years but less than 27 years; (d) two percent (2.0%) of final average salary for each year of credited service if their service is greater than or equal to 27 years.

The final average salary is the member's five (5) highest annual salaries except members at least age fifty-five (55) with twenty-seven (27) or more years of service may use their three (3) highest annual salaries. For all members, the annual allowance is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 27 years of service.

#### *Other Benefits:*

The System provides post-employment medical benefits to retirees. The System also provides disability benefits for vested members at the rate of sixty percent (60%) of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing members and \$5,000 for retired or disabled members. Cost of living increases are one and one-half percent (1.5%) 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. The State contributes 100 percent of school districts' contractually required contributions, which are actuarially determined. Employees are required to contribute 12.105 percent of their annual salary. The school districts' contractually required contribution rate for the year ended June 30, 2015, was 13.105 percent of salaries for members in the plan before July 1, 2008 and 14.105 percent of salaries for members who started their account after June 30, 2008. The District made no contributions to the pension plan for the year ended June 30, 2015.

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

At June 30, 2015, the District reported no net pension liability because it did not have a proportionate share of the net pension liability. There was no amount recognized by the District as its proportionate share of the net pension liability. The related State share of the net pension liability was \$62,326,179.

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2014, the District's proportion was 0 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$3,054,110 and revenue of \$3,054,110 for support provided by the State. At June 30, 2015, the District reported no deferred outflows of resources and no deferred inflows of resources related to KTRS.

**CASEY COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

**NOTE 8 – PENSION PLANS – CONTINUED**

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:

Inflation	3.50 percent
Salary increases	4.00 – 8.20 percent, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

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 set back of 1 year for females.

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

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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	45%	6.4%
Non U.S. Equity	17%	6.5%
Fixed Income	24%	1.6%
High Yield Bonds	4%	3.1%
Real Estate	4%	5.8%
Alternatives	4%	6.8%
Cash	2%	1.5%
Total	<u>100%</u>	

## CASEY COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

#### NOTE 8 – PENSION PLANS – CONTINUED

##### Discount Rate

The discount rate used to measure the total pension liability as of the Measurement Date was 5.23%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67. It was assumed that Plan member contributions will be made at the current contribution rates and that Employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members until the 2036 plan year and, as a result, the Municipal Bond Index Rate was used in the determination of the single equivalent interest rate (SEIR). On the Prior Measurement Date, the long-term expected rate of return of 7.50% on Plan investments was applied to periods before 2036 and the Municipal Bond Index Rate of 4.27% was applied to periods on or after 2036, resulting in an SEIR of 5.16%. There was a change in the Municipal Bond Index Rate from the Prior Measurement Date to the Measurement Date, so as required under GASB 68, the SEIR at the Measurement Date of 5.23% was calculated using the Municipal Bond Index Rate as of the Measurement Date (4.35%). This change in the discount rate is considered a change in actuarial assumptions under GASB 68.

##### Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued KTRS financial report.

#### CERS

##### Benefits Provided

The system provides for retirement, disability, and death benefits to system members. Retirement benefits may be extended to beneficiaries of members under certain circumstances. Prior to July 1, 2009, cost-of-living adjustments (COLA) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. On July 1, 2013, the COLA was not granted. Effective July 1, 2009, and on July 1 of each year thereafter through June 30, 2015, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce the COLA if, in its judgment, the welfare of the Commonwealth so demands.

##### Contributions

For the fiscal year ended June 30, 2015, plan members who began participating prior to September 1, 2008, were required to contribute 5% of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. The school districts' contractually required contribution rate for the year ended June 30, 2015, was 17.67 percent of annual creditable compensation. Contributions to the pension plan from the District were \$544,692.

## CASEY COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

#### NOTE 8 – PENSION PLANS – CONTINUED

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

At June 30, 2015, the District reported a liability of \$4,418,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2014, the District's proportion was 0.136159 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$354,000. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources: (1) Deferred outflows of resources for District contributions subsequent to the measurement date of \$544,692 and (2) Deferred inflows of resources for differences between expected and actual experience of \$493,000. The amount reported as deferred outflows for District contributions subsequent to the measurement date of \$544,692 will be recognized as a reduction of the net pension liability in the year ending June 30, 2016.

##### 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:

Inflation	3.50 percent
Salary increases	4.5 percent, average, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2008.

**CASEY COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

**NOTE 8 – PENSION PLANS – CONTINUED**

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	30%	8.45%
International Equity	22%	8.85%
Emerging Market Equity	5%	10.50%
Private Equity	7%	11.25%
Real Estate	5%	7.00%
Core US Fixed Income	10%	5.25%
High Yield US Fixed Income	5%	7.25%
Non-US Fixed Income	5%	5.50%
Commodities	5%	7.75%
TIPS	5%	5.00%
Cash	1%	3.25%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability as of the Measurement Date was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members 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 assumed investment rate of return was applied to all periods of projected of benefit payments to determine the total pension liability.

**CASEY COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

**NOTE 8 – PENSION PLANS – CONTINUED**

Sensitivity Of The District's Proportionate Share Of The Net Pension Liability To Changes In The Discount Rate

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	5,813,000	4,418,000	3,184,000

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report.

**DEFERRED COMPENSATION**

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Sections 457, 401(k) and 403(b). The Plans, available to all employees, permits them to defer a portion of their salary until future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, allows entities with little or no administrative involvement who do not perform the investing function for these plans to omit plan assets and related liabilities from their financial statements. The District, therefore, does not show these assets and liabilities on these financial statements.

## CASEY COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

#### NOTE 9 – FUND BALANCES

Nonspendable fund balances are those that cannot be spent on future obligations. At June 30, 2015, there was \$905 of prepaid items recorded as nonspendable fund balances

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2015, the District had \$37,759 restricted for grants in the special revenue fund, \$36,725 restricted for capital projects in the Capital Outlay Fund, \$128,882 restricted for capital projects in the FSPK Fund, \$66,329 restricted for capital projects in the Construction Fund and \$9,962 restricted for debt service in the Debt Service Fund.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District had the following general fund commitments at June 30, 2015: \$1,420,000 for construction, \$275,000 for buses, \$174,000 for equipment, \$600,000 for personnel, \$300,000 for technology, and \$267,284 for sick leave.

Amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrance of funds. The amount assigned related to encumbrances at June 30, 2015, was \$3,700 in the general fund. Assigned fund balance also includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose. The District also had assigned \$25,273 for site-based council carryforward.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The District considers unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Also, the District has established the order of assigned, committed and restricted when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

## CASEY COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

#### NOTE 10 – COMMITMENTS AND 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 based upon the grantor's review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

The District is subject to various other legal actions in various stages of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the basic financial statements as a result of the cases presently in progress.

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

On January 14, 2013 the District was notified that in order to settle outstanding claims and deficits of the Kentucky School Boards Insurance Trust (KSBIT), a non-profit self-insured pool, an assessment would be made to present and prior insurance trust members. On June 26, 2013, members were notified that the KSBIT board voted on June 24, 2013 to submit a plan for the assessment to the Kentucky Department of Insurance in favor of a novation option, under which a highly rated reinsurer would assume all of the liabilities of KSBIT and its members for claims for a set amount. The option resulted in an estimated liability for the District of \$215,394. In August 2014, the District received an invoice for \$132,074 which was the amount expected to satisfy the claim. This amount was paid during the fiscal year. This amount was recorded as a current liability in the Statement of Net Position at June 30, 2014 as it was expected to be paid by June 30, 2015; however, it was not due at June 30, 2014, for the fund financial statements and was recorded in the fund financial statements during the fiscal year. The item is also an extraordinary item in the Statement of Activities because the item is unusual in nature and infrequent in occurrence.

#### NOTE 11 – DEFICIT OPERATING BALANCES

The Daycare Fund had a deficit net position at June 30, 2015 in the amount of \$106,490. The deficit net position is a result of the recording of the net pension liability for CERS as part of the adoption of GASB Statement 68.

The following funds had operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of fund balance/net position:

General Fund	\$	163,757
Special Revenue Fund		12,306
Capital Outlay Fund		75,583
FSPK Fund		1,249

**CASEY COUNTY SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**

June 30, 2015

**NOTE 12 – ON-BEHALF PAYMENTS**

The District receives on-behalf payments from the Commonwealth of Kentucky for items including pension, technology, health care costs, operating costs and debt service. The amounts received and funds where these items were recorded for the fiscal year ended June 30, 2015 were as follows:

Health	\$ 2,738,803
Life	4,584
Admin	31,552
HRA	78,663
KTRS	1,468,735
Technology	60,015
Debt Service	1,441,488
Less: Federal Reimbursement	<u>(246,059)</u>
Total on-behalf	<u>\$ 5,577,781</u>

Recorded as follows:

General Fund	\$ 3,982,271
Food Service Fund	129,171
Daycare Fund	23,468
Community Education Fund	1,383
Debt Service Fund	<u>1,441,488</u>
	<u>\$ 5,577,781</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**CASEY COUNTY SCHOOL DISTRICT**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL**

**GENERAL FUND**

Year Ended June 30, 2015

	<u>Original</u>	<u>Final</u>	<u>Actual</u>
<b>Revenues</b>			
From local sources:			
Taxes:			
Property	\$ 1,896,000	\$ 1,971,000	\$ 2,044,847
Motor vehicle	400,000	425,000	450,170
Utilities	745,000	745,000	748,819
Other			1,758
Earnings on investments	60,000	35,000	45,594
Other local revenues			4,931
Intergovernmental - State	13,414,400	13,414,400	14,288,942
Intergovernmental - Indirect Federal	50,000	50,000	88,650
<b>Total Revenues</b>	<u>16,565,400</u>	<u>16,640,400</u>	<u>17,673,711</u>
<b>Expenditures</b>			
Instruction	10,352,703	10,384,177	9,807,493
Support services:			
Student	941,871	974,868	1,193,440
Instruction staff	480,508	493,739	569,987
District administrative	632,253	735,325	583,446
School administrative	867,810	894,899	1,092,431
Business	626,630	701,326	676,878
Plant operation and maintenance	2,608,832	2,830,414	1,955,315
Student transportation	1,943,196	2,112,948	1,676,970
Facilities acquisition and construction			315
Community service activities	28,000	28,000	29,361
Other	608,597	784,863	
<b>Total Expenditures</b>	<u>19,090,400</u>	<u>19,940,559</u>	<u>17,585,636</u>
<b>Excess (Deficit) of Revenues over Expenditures</b>	(2,525,000)	(3,300,159)	88,075
<b>Other Financing Sources (Uses)</b>			
Proceeds from disposal of capital assets			1,508
Transfers out	(75,000)	(75,000)	(121,266)
<b>Total Other Financing Sources (Uses)</b>	<u>(75,000)</u>	<u>(75,000)</u>	<u>(119,758)</u>
<b>Extraordinary item - KSBIT</b>			(132,074)
<b>Net Change in Fund Balance</b>	(2,600,000)	(3,375,159)	(163,757)
<b>Fund Balance, July 1, 2014</b>	<u>2,600,000</u>	<u>3,375,159</u>	<u>6,411,363</u>
<b>Fund Balance, June 30, 2015</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,247,606</u>

CASEY COUNTY SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL

SPECIAL REVENUE FUND

Year Ended June 30, 2015

	Original	Final	Actual
<b>Revenues</b>			
Earnings on investments	\$ -	\$ -	\$ 266
Other local revenues	55,370	52,500	38,605
Intergovernmental - State	860,530	940,607	944,620
Intergovernmental - Indirect Federal	2,072,754	2,327,211	2,324,712
Intergovernmental - Direct Federal	50,480	50,480	136,043
<b>Total Revenues</b>	<u>3,039,134</u>	<u>3,370,798</u>	<u>3,444,246</u>
<b>Expenditures</b>			
Instruction	2,755,646	3,079,557	3,191,665
Support services:			
Student	23,685	26,688	25,039
Instruction staff	114,154	89,812	89,228
Plant operation and maintenance			177
Student transportation	3,886	1,860	983
Community service activities	216,763	234,250	224,460
<b>Total Expenditures</b>	<u>3,114,134</u>	<u>3,432,167</u>	<u>3,531,552</u>
<b>Excess (Deficit) of Revenues over Expenditures</b>	(75,000)	(61,369)	(87,306)
<b>Other Financing Sources (Uses)</b>			
Transfers in	75,000	75,000	75,000
Transfers out		(13,631)	
<b>Total Other Financing Sources (Uses)</b>	<u>75,000</u>	<u>61,369</u>	<u>75,000</u>
<b>Net Change in Fund Balance</b>	-	-	(12,306)
<b>Fund Balance, July 1, 2014</b>			<u>50,065</u>
<b>Fund Balance, June 30, 2015</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,759</u>

**CASEY COUNTY SCHOOL DISTRICT**

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE CERS NET PENSION LIABILITY

June 30, 2015

Last 10 Years \*

	<u>2015</u>
Proportion of the net pension liability	0.136159%
Proportionate share of the net pension liability	\$ 4,418,000
Covered - employee payroll	\$ 3,120,734
Proportionate share of the net pension liability as percentage of covered payroll	141.6%
Plan fiduciary net position as a percentage of the total pension liability	66.80%

\* Fiscal year 2015 was the first year of implementation, therefore, only one year is shown.

**CASEY COUNTY SCHOOL DISTRICT**

SCHEDULE OF CONTRIBUTIONS TO CERS

June 30, 2015

Last 10 Years \*

	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 544,692
Contribution in relation to the actuarially determined contributions	<u>544,692</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered employee payroll	\$ 3,082,581
Contributions as a percentage of covered employee payroll	17.67%

\* Fiscal year 2015 was the first year of implementation, therefore, only one year is shown.

**CASEY COUNTY SCHOOL DISTRICT**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2015

*Changes of benefit terms.* There were no changes in benefit terms.

*Changes of assumptions.* There were no changes in assumptions.

**SUPPLEMENTARY INFORMATION**

**CASEY COUNTY SCHOOL DISTRICT**

**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2015

	<u>Capital Outlay Fund</u>	<u>FSPK Fund</u>	<u>Construction Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Assets:</b>					
Cash and cash equivalents	<u>\$ 36,725</u>	<u>\$ 128,882</u>	<u>\$ 66,329</u>	<u>\$ 9,962</u>	<u>\$ 241,898</u>
<b>Total Assets</b>	<u><u>\$ 36,725</u></u>	<u><u>\$ 128,882</u></u>	<u><u>\$ 66,329</u></u>	<u><u>\$ 9,962</u></u>	<u><u>\$ 241,898</u></u>
<b>Fund Balances</b>					
Restricted	<u>\$ 36,725</u>	<u>\$ 128,882</u>	<u>\$ 66,329</u>	<u>\$ 9,962</u>	<u>\$ 241,898</u>
<b>Total Fund Balances</b>	<u><u>\$ 36,725</u></u>	<u><u>\$ 128,882</u></u>	<u><u>\$ 66,329</u></u>	<u><u>\$ 9,962</u></u>	<u><u>\$ 241,898</u></u>

CASEY COUNTY SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2015

	Capital Outlay Fund	FSPK Fund	Construction Fund	Debt Service Fund	Total Nonmajor Governmental Funds
<b>Revenues</b>					
From local sources:					
Taxes:					
Property	\$ -	\$ 305,079	\$ -	\$ -	\$ 305,079
Earnings on investments			630	7,193	7,823
Intergovernmental - State	203,973	458,800		1,441,488	2,104,261
<b>Total Revenues</b>	203,973	763,879	630	1,448,681	2,417,163
<b>Expenditures</b>					
Facilities acquisition and construction			540,388		540,388
Bond issue costs			9,250		9,250
Debt service:				58,320	58,320
Principal				1,785,000	1,785,000
Interest				533,446	533,446
<b>Total Expenditures</b>	-	-	549,638	2,376,766	2,926,404
<b>Excess (Deficit) of Revenues over Expenditures</b>	203,973	763,879	(549,008)	(928,085)	(509,241)
<b>Other Financing Sources (Uses)</b>					
Bond proceeds from revenue bonds			370,000		370,000
Bond proceeds from refunding bonds				6,205,000	6,205,000
Bond premium				51,820	51,820
Bond discount			(7,400)		(7,400)
Payment to refunded bond escrow agent				(6,194,597)	(6,194,597)
Transfers in			215,126	875,824	1,090,950
Transfers out	(279,556)	(765,128)			(1,044,684)
<b>Total Other Financing Sources (Uses)</b>	(279,556)	(765,128)	577,726	938,047	471,089
<b>Net Change in Fund Balances</b>	(75,583)	(1,249)	28,718	9,962	(38,152)
<b>Fund balance, July 1, 2014</b>	112,308	130,131	37,611		280,050
<b>Fund balance, June 30, 2015</b>	\$ 36,725	\$ 128,882	\$ 66,329	\$ 9,962	\$ 241,898

CASEY COUNTY SCHOOL DISTRICT

COMBINING STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

June 30, 2015

	JONES PARK ELEMENTARY SCHOOL	LIBERTY ELEMENTARY SCHOOL	WALNUT HILL ELEMENTARY SCHOOL	CASEY COUNTY HIGH SCHOOL	CASEY COUNTY MIDDLE SCHOOL	Total Agency Fund
<b>Assets</b>						
Cash and cash equivalents	\$ 12,714	\$ 10,615	\$ 19,561	\$ 111,142	\$ 34,375	\$ 188,407
Receivables		2,646				2,646
<b>Total Assets</b>	<u>\$ 12,714</u>	<u>\$ 13,261</u>	<u>\$ 19,561</u>	<u>\$ 111,142</u>	<u>\$ 34,375</u>	<u>\$ 191,053</u>
<b>Liabilities</b>						
Accounts payable	\$ -	\$ 40	\$ -	\$ 4,083	\$ 1,656	\$ 5,779
Due to student groups	12,714	13,221	19,561	107,059	32,719	185,274
<b>Total Liabilities</b>	<u>\$ 12,714</u>	<u>\$ 13,261</u>	<u>\$ 19,561</u>	<u>\$ 111,142</u>	<u>\$ 34,375</u>	<u>\$ 191,053</u>

**CASEY COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES**  
**AGENCY FUNDS**  
**YEAR ENDED JUNE 30, 2015**

SCHOOL	CASH BALANCE July 1, 2014	RECEIPTS	DISBURSE- MENTS	CASH BALANCE June 30, 2015	RECEIVABLES June 30, 2015	ACCOUNTS PAYABLE June 30, 2015	DUE TO STUDENT GROUPS June 30, 2015
JONES PARK ELEMENTARY	\$ 11,576	\$ 28,453	\$ 27,315	\$ 12,714	\$ -	\$ -	\$ 12,714
LIBERTY ELEMENTARY	6,772	26,610	22,767	10,615	2,646	40	13,221
WALNUT ELEMENTARY	16,403	22,954	19,796	19,561			19,561
CASEY COUNTY HIGH	130,890	208,217	227,965	111,142		4,083	107,059
CASEY COUNTY MIDDLE	24,046	169,869	159,540	34,375		1,656	32,719
	<u>\$ 189,687</u>	<u>\$ 456,103</u>	<u>\$ 457,383</u>	<u>\$ 188,407</u>	<u>\$ 2,646</u>	<u>\$ 5,779</u>	<u>185,274</u>

**CASEY COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES**  
**CASEY COUNTY HIGH SCHOOL**  
**YEAR ENDED JUNE 30, 2015**

NAME OF ACTIVITY	CASH	RECEIPTS	DISBURSE- MENTS	CASH	RECEIVABLES	ACCOUNTS PAYABLE	DUE TO
	BALANCES July 1, 2014			BALANCES June 30, 2015			June 30, 2015
ART CLUB	\$ 3,040	\$ 1,083	\$ 585	\$ 3,538	\$ -	\$ 724	\$ 2,814
ART DONATIONS	-	100		100			100
ATHLETICS	26,277	25,851	29,540	22,588			22,588
ATH/DONATIONS	-	220	220	-			-
ATH-VENDING	6,362	3,207	7,045	2,524			2,524
ATH-VENDING DA	-	129	129	-			-
BAND/CHOIR BOOSTERS	933	7,410	7,050	1,293			1,293
BAND/DONATIONS	-	3,227	1,717	1,510			1,510
BASEBALL BOOSTERS	3,110	285	3,240	155			155
BASKETBALL BOOSTERS	726		726	-			-
BASKETBALL BOOSTERS	2,541		2,447	94			94
CHEER BOOSTERS	13,526	5,586	19,112	-			-
CROSS COUNTRY	2,501	7,161	7,383	2,279			2,279
CROSS COUNTRY/DONATIONS	-	1,543	1,540	3			3
DANCE BOOSTERS	967	1,062	1,345	684			684
GOLF BOOSTERS/BOYS	1,636	426	1,517	545			545
GOLF BOOSTERS/GIRLS	311	850	425	736			736
GOLF GIRLS/DONATIONS	-	1,068	837	231			231
SOCCER BOOSTERS	119	1,105	1,175	49			49
SOCCER/DONATIONS	-	554	119	435			435
SOFTBALL BOOSTERS	1,664	3,386	2,576	2,474			2,474
SOFTBALL/DONATIONS	-	16		16			16
TRACK BOOSTERS	1,560	5,648	6,372	836			836
TRACK/DONATIONS	-	1,130	689	441			441
VOLLEYBALL BOOSTERS	6,452	642	6,315	779			779
GIRLS TENNIS BOOSTERS	9	4,685	3,331	1,363			1,363
TENNIS/DONATIONS	-	250	250	-			-
BASKETBALL CLUB	-			-			-
BBP WEIGHT LOSS PRO	-			-			-
BETA CLUB	988	1,603	1,292	1,299			1,299
C FUND	4,467	4,552	1,187	7,832		486	7,346
C FUND DA	-	1,860	1,860	-			-
CA FUND (STAFF)	3,867	1,003	2,733	2,137			2,137
C FUND/DONATIONS	-	1,027	1,000	27			27
CAREER CAFE	-	49		49			49
CCHS BASEBALL CLUB	464			464			464
CHHS VENDING	-	4,024	935	3,089		1,215	1,874
CHOIR	-			-			-
COSMETOLOGY	-	3,696	3,096	600			600
COSMETOLOGY/DONATIONS	-	650	650	-			-
DRAMA CLUB	1,882	3,877	4,912	847			847
FCA	294			294			294
FCCLA	638			638			638
FEA	724			724			724
FFA	10,913	49,805	52,393	8,325		1,001	7,324
FFA/DONATIONS	-	3,000	3,000	-			-
FR-ROTC	4,625	12,715	15,828	1,512		506	1,006
HOME ECONOMICS	326			326			326
INDUSTRIAL ARTS	1,179	999	678	1,500			1,500
JKG	45			45			45
JUNIOR CLASS	7,673	13,455	12,682	8,446			8,446
MEDIA TV	48			48			48
OUTDOOR CLUB	1,070	271	547	794			794
PEP CLUB	694			694		151	543
PROJECT GRADUATION	73		73	-			-
SCIENCE CLUB	841			841			841
SCIENCE DEPT	110	1,000	162	948			948
SCIENCE DEPT/DONATIONS	-	2,000	2,000	-			-
SENIOR CLASS	116	225	90	251			251
SENIOR T-SHIRTS	258	750	710	298			298
SPANISH CLUB	100			100			100
STUDENT COUNCIL	381	539	884	36			36
STUDENT PARKING	743	1,370	978	1,135			1,135
UK HEALTH	60		60	-			-
Y CLUB	818	12,493	12,033	1,278			1,278
Y CLUB DONATIONS	-	750	750	-			-
YEARBOOK	15,759	15,158	7,025	23,892			23,892
TOTALS	130,890	213,495	233,243	111,142	-	4,083	107,059
Transfers		(5,278)	(5,278)		-	-	-
TOTALS	\$ 130,890	\$ 208,217	\$ 227,965	\$ 111,142	\$ -	\$ 4,083	\$ 107,059

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**CASEY COUNTY SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

YEAR ENDED JUNE 30, 2015

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS THROUGH GRANTOR'S NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Child Nutrition Cluster -			
Cash Assistance			
Passed Through State Department of Education			
National School Lunch Program	10.555	7750002-14	\$ 193,335
		7750002-15	696,113
School Breakfast Program	10.553	7760005-14	70,716
		7760005-15	270,398
Summer Food Service Program for Children	10.559	7740023-15	16,036
Non-Cash Assistance (Commodities)			
National School Lunch Program	10.555	057502-02	85,411
<b>TOTAL CHILD NUTRITION CLUSTER</b>			<u>1,332,009</u>
<b>TOTAL U.S. DEPT. OF AGRICULTURE</b>			<u>1,332,009</u>
<u>U.S. DEPARTMENT OF DEFENSE</u>			
National Guard Civilian Youth Opportunities	12.000	504A	50,579
<b>TOTAL U.S. DEPARTMENT OF DEFENSE</b>			<u>50,579</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Special Education Cluster (IDEA) -			
Passed Through State Department of Education			
Special Education - Grants to States	84.027	3373	112
		3374	77,086
		337A	428,371
			<u>505,569</u>
Special Education - Preschool Grants	84.173	3434	13,451
		343A	22,059
			<u>35,510</u>
<b>TOTAL SPECIAL EDUCATION CLUSTER (IDEA)</b>			<u>541,079</u>
<u>OTHER U.S. DEPARTMENT OF EDUCATION PROGRAMS</u>			
Reading is Fundamental	84.000	6873	1,000
		6874	2,000
			<u>3,000</u>
Passed Through State Department of Education			
Title I Grants to Local Educational Agencies	84.010	3103	35
		3104	439,716
		3104M	16,907
		310A	813,117
		310AM	5,486
			<u>1,275,261</u>

The accompanying notes are an integral part of this schedule.

CASEY COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2015

FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS THROUGH GRANTOR'S NUMBER	FEDERAL EXPENDITURES
Migrant Education - State Grant Program	84.011	3113A 311A	2,820 <u>58,866</u>
			<u>61,686</u>
Vocational Education - Basic Grants to States	84.048	3484A 348A	794 <u>20,227</u>
			<u>21,021</u>
Twenty-First Century Community Learning Centers	84.287	5503A 5503U 5503Z 5504C 550A	1,964 16,399 42,934 48,536 12,284 <u>122,117</u>
Rural Education	84.358	3504 350A	10,101 <u>28,505</u>
			<u>38,606</u>
Improving Teacher Quality - State Grants	84.367	4014 401A	34,941 <u>124,973</u>
			<u>159,914</u>
Race to the Top	84.413	4521	<u>3,678</u>
Passed Through Berea College: Gaining Early Awareness and Readiness for Undergraduate Programs Fiscal Year 15G	84.334A	379AA 379AB 379AC 379AE 379AR	40,325 54,558 384 186 155 <u>95,608</u>
Passed Through Kentucky Educational Development Corporation: Mathematics and Science Partnerships	84.366B	3524	<u>4,928</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>2,326,898</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u> Drug-Free Communities Support Program Grants	93.276	500AA	<u>85,465</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>85,465</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 3,794,951</u>

The accompanying notes are an integral part of this schedule.

**CASEY COUNTY SCHOOL DISTRICT**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year Ended June 30, 2015

**NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Casey County School District under programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Casey County School District, it is not intended to and does not present the financial position, changes in net position or cash flows of Casey County School District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the accrual basis of accounting for proprietary funds and the modified accrual basis of accounting for governmental funds. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

**NOTE C – FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed.

**NOTE D – SUBRECIPIENTS**

There were no subrecipients during the fiscal year.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**CASEY COUNTY SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2015**

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**Section I-Summary of Auditor's Results**

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**Financial Statements**

Type of auditor's report issued (unmodified):

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_yes \_\_\_X\_\_\_no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_yes \_\_\_X\_\_\_none reported

Noncompliance material to financial statements noted? \_\_\_\_\_yes \_\_\_X\_\_\_no

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_yes \_\_\_X\_\_\_no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_X\_\_\_yes \_\_\_\_\_

Type of auditor's report issued on compliance for major programs (unmodified):

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? \_\_\_X\_\_\_yes \_\_\_\_\_no

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**Section I-Summary of Auditor's Results - Continued**

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Identification of major programs:

CFDA Number	Federal Program or Cluster
<b>DEPARTMENT OF AGRICULTURE</b>	
	Child Nutrition Cluster -
10.553	School Breakfast Program
10.555	National School Lunch Program
10.559	Summer Food Service Program for Children
<b>DEPARTMENT OF EDUCATION</b>	
	Special Education Cluster -
84.027	Special Education - Grants to States
84.173	Special Education - Preschool Grants

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

Auditee qualified as low-risk auditee?  yes  no

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**Section II – Financial Statement Findings**

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**No Matters**

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**Section III – Federal Award Findings and Questioned Costs**

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**REFERENCE NUMBER 2015-001**

DEPARTMENT OF EDUCATION –Special Education – Grants to States (Idea, Part B – CFDA No. 84.027  
– Grant period – Year ending June 30, 2015;

**Criteria:** – Entities receiving advance funds must follow procedures to minimize the time elapsing between the transfer of funds and their disbursement and must not earn more than \$100 in interest income on federal funds.

**Condition:** – The District did not minimize the time elapsing between the transfer of funds and their disbursement. The District had unearned revenue related to the above grant at year-end of \$17,397 and earned \$94 in excess interest.

**Cause:** - Program administrators requested advances before determining the timing for their disbursement.

**Effect:** – The District had federal funds on hand that were not disbursed timely.

**Questioned Costs:** – None

**Recommendation:** –The District should ensure that program administrators request funds timely.

**Management Response:** – The District has implemented procedures to ensure that funds are timely requested as of the audit report date.

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

**CASEY COUNTY SCHOOL DISTRICT**

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

June 30, 2015

There were no prior audit findings.

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

CHRIS R. CARTER, CPA  
SCOTT KISSELBAUGH, CPA  
BRIAN S. WOOSLEY, CPA



# STILES, CARTER & ASSOCIATES, P.S.C.

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## INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education  
Casey County School District  
Liberty, Kentucky

We have audited, in accordance with the 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 requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Casey County School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Casey County School District's basic financial statements, and have issued our report thereon dated September 4, 2015.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Casey County School District's internal control over financial reporting (internal control) to determine the audit 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 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 Casey County School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in the *Independent Auditor's Contract*.

We noted certain matters that we reported to management of Casey County School District in a separate letter dated September 4, 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 District'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.



Certified Public Accountants  
Elizabethtown, Kentucky  
September 4, 2015

**INDEPENDENT AUDITOR'S  
REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT  
ON EACH MAJOR PROGRAM AND  
INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

CHRIS R. CARTER, CPA  
SCOTT KISSELBAUGH, CPA  
BRIAN S. WOOSLEY, CPA



# STILES, CARTER & ASSOCIATES, P.S.C.

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## INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education  
Casey County School District  
Liberty, Kentucky

### Report on Compliance for Each Major Federal Program

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

### Management's Responsibility

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

### Auditor's Responsibility

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

### Opinion on Each Major Federal Program

In our opinion, Casey County School District complied, in all material respects, with the 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.

## Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2015-001. Our opinion on each major federal program is not modified with respect to these matters.

Casey County School District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Casey County School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## Report on Internal Control Over Compliance

Management of Casey 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 Casey 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 in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major 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 Casey County School District's internal control over compliance.

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

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 in internal control* 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2015-001 to be significant deficiencies.

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

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



Certified Public Accountants  
Elizabethtown, Kentucky  
September 4, 2015

**MANAGEMENT LETTER AND COMMENTS**

CHRIS R. CARTER, CPA  
SCOTT KISSELBAUGH, CPA  
BRIAN S. WOOSLEY, CPA



# STILES, CARTER & ASSOCIATES, P.S.C.

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Casey County School District  
Liberty, Kentucky

In planning and performing our audit of the basic financial statements of Casey County School District for the year ended June 30, 2014, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. Any uncorrected comments from the prior year have been included in the memorandum. A separate report dated September 4, 2015, contains our report on the District's internal control. This letter does not affect our report dated September 4, 2015, on the financial statements of the Casey County School District.

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

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

A handwritten signature in cursive script that reads "Stiles, Carter &amp; Associates".

Certified Public Accountants  
Elizabethtown, Kentucky  
September 4, 2015

## **CASEY COUNTY SCHOOL DISTRICT**

### COMMENTS

June 30, 2015

### **PRIOR YEAR UNCORRECTED COMMENTS**

#### **CASEY COUNTY MIDDLE**

##### TICKET SALES

We noted that during review of ticket sales, Requisition and Report of Ticket Sales (form F-SA-1) was not properly filled out for the game held on 10/11/2014. Form F-SA-1 did not include the date of the event, and included two signatures for the ticket taker. One of the signatures was also the individual responsible for ticket sales, indicating that the tickets may have been sold and collected by the same person.

We noted that during review of ticket sales, Requisition and Report of Ticket Sales (form F-SA-1) was not properly completed for the game held on 3/31/2015. Form F-SA-1 only included the first ticket, and did not include an attached final ticket in order to properly reconcile and document the number of tickets sold.

##### MANAGEMENT RESPONSE

Management has discussed this item with school personnel and corrective action will be taken by October 15, 2015.

##### INVENTORY CONTROL

We noted that during review of inventory control for concessions, the spreadsheet used in place of Inventory Control Worksheet (form F-SA-5) and attached to Inventory Control Worksheet was not signed by the individual completing the inventory count, and Inventory Control Worksheet was also unsigned.

##### MANAGEMENT RESPONSE

Management has discussed this item with school personnel and corrective action will be taken by October 15, 2015.

##### FUNDRAISER FORM

We noted the BETA fundraiser (old fashioned candy) approved on 1/6/2015 did not have a Sales Collection Form F-SA-17. Receipts were reported as a few lump sums on the F-SA-2B. Redbook indicates that fundraisers like the old fashioned candy fundraiser should have a Sales Collection Form F-SA-17.

##### MANAGEMENT RESPONSE

Management has discussed this item with school personnel and corrective action will be taken by October 15, 2015.

CASEY COUNTY SCHOOL DISTRICT

COMMENTS – CONTINUED

June 30, 2015

**CURRENT YEAR COMMENTS**

**CASEY COUNTY MIDDLE SCHOOL**

**IMPROPER RECORD-KEEPING**

We noted that during the review of receipts, receipt #5351 dated 2/3/2015 properly included the name and amount of the check on the deposit ticket. However, copies of checks retained and attached to the deposit did not correspond to the name and amount listed on Multiple Receipt Form (form F-SA-6).

**MANAGEMENT RESPONSE**

Management has discussed this item with school personnel and corrective action will be taken by October 15, 2015.

**INADEQUATE DESCRIPTION OF FUNDS RECEIVED**

We noted that during review of receipts, receipt #5497 dated 4/28/2015 only indicated that checks received were for “softball money.” Due to inadequate description, it is unclear if the funds received are donations or for some other purpose.

**MANAGEMENT RESPONSE**

Management has discussed this item with school personnel and corrective action will be taken by October 15, 2015.

**BANK RECONCILIATION REPORT**

We noted, upon review of the June 30, 2015 bank reconciliations, that they were not signed and dated by the Central Fund Treasurer or Principal as required by Redbook.

**MANAGEMENT RESPONSE**

Management has discussed this item with school personnel and corrective action will be taken by October 15, 2015.

**DISBURSEMENTS**

We noted that during the review of disbursements, that Check # 10390, payable to Kathy's Flowers in the amount of \$84.99, did not have a purchase order attached.

**MANAGEMENT RESPONSE**

Management has discussed this item with school personnel and corrective action will be taken by October 15, 2015.

CASEY COUNTY SCHOOL DISTRICT

COMMENTS – CONTINUED

June 30, 2015

**CASEY COUNTY HIGH SCHOOL**

**TICKET SALES**

We noted during review of ticket sales that Requisition and Report of Ticket Sales (form F-SA-1) was not properly completed. Signatures indicated that the same two people were responsible for selling and taking tickets. The Redbook indicates that these duties should be separated and completed by one person each.

**MANAGEMENT RESPONSE**

Management has discussed this item with school personnel and corrective action will be taken by October 15, 2015.

**FUNDRAISER WORKSHEETS**

We noted the FFA fundraiser (fruit sales) approved on 10/6/2014 did not have a Sales Collection Form F-SA-17. Receipts were reported as a few lump sums on the F-SA-2B. Redbook indicates that fundraisers like the fruit sale should have a Sales Collection Form F-SA-17.

**MANAGEMENT RESPONSE**

Management has discussed this item with school personnel and corrective action will be taken by October 15, 2015.

**BOOSTER CLUBS**

We noted the Casey County High School Cheers Booster did not have an Annual Financial Report for FY 2014-2015. The treasurer said she didn't have one since FY 2014-2015 was the Booster's first as an external club. Redbook requires Boosters to submit their Annual Financial Report, even in the first year of being external.

**MANAGEMENT RESPONSE**

Management has discussed this item with school personnel and corrective action will be taken by October 15, 2015.