

CHRISTIAN COUNTY SCHOOL DISTRICT
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

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MICHAEL A. KEM, CPA
SANDRA D. DUGUID, CPA
ANNA B. GENTRY, CPA

WALTER G. CUMMINGS, CPA



INDEPENDENT AUDITORS' REPORT

Kentucky State Committee
for School District Audits
Members of the Board of Education
Christian County School District
Hopkinsville, 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 Christian County School District (the "District"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District'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 Christian County School District as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 17 to the financial statements, in fiscal year 2015, the District adopted GASB 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and GASB 50, *Pension Disclosures*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension schedules on pages 4–13, 54–57, and 58-62 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 District's basic financial statements. The combining and individual nonmajor fund financial statements and combining and individual school activity fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

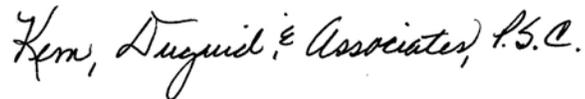
The combining and individual nonmajor fund financial statements, combining and individual school activity fund financial statements, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted

in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, combining and individual school activity fund financial statements, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2015, on our consideration of Christian County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Christian County School District's internal control over financial reporting and compliance.

Kem, Duguid & Associates, P.S.C.

A handwritten signature in cursive script that reads "Kem, Duguid & Associates, P.S.C.".

Certified Public Accountants
Hopkinsville, Kentucky

October 30, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CHRISTIAN COUNTY SCHOOL DISTRICT – HOPKINSVILLE, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

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

FINANCIAL HIGHLIGHTS

- The ending cash and investments balance for the District was \$21,375,426, as compared with the beginning cash and investments balance of \$36,658,172. The ending cash and investments balance consists of General Fund of \$6,220,620, Special Revenue Fund of \$632,507, Construction Fund of \$4,104,862, Debt Service Fund of \$8,301,252, Other Governmental Funds of \$606,297, Food Service Fund of \$801,490, Day Care Fund of \$186,487 and School Activity Funds of \$521,911.
- The General Fund had revenues of \$67,769,773 which primarily consisted of the state program (SEEK), property, utilities, motor vehicle, and in lieu of taxes, and on-behalf payments for fringe benefits from the Commonwealth of Kentucky. General Fund revenues increased \$2,596,444 in comparison to prior year of \$65,173,329. Excluding interfund transfers, there were General Fund expenditures totaling \$68,280,558. This is an increase of \$1,716,921 compared to \$66,563,637 in General Fund expenditures for the prior year.
- The financial statements reflect a total of \$16,393,750 of revenues and aid from the state for payments made by the state on-behalf of district employees for retirement contributions, health insurance, technology, and debt service. A like amount of expenses is also recorded in the financial statements.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-wide financial statements – The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all the District’s assets and deferred outflows of resources and liabilities and deferred inflows. All of the current year’s revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District’s net position and how it has changed. Net position – the difference between the District’s assets and deferred outflows, and liabilities and deferred inflows – is one way to measure the District’s financial health or position.

- Over time, increases or decreases in the District’s net position are an indicator of whether its financial position is improving or deteriorating, respectively.

**CHRISTIAN COUNTY SCHOOL DISTRICT – HOPKINSVILLE, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

- To assess the overall health of the District, the reader 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.

In the government-wide financial statements, all the District’s activities are reported as governmental activities.

- Governmental activities – All of the District’s basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of the activities.

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. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like federal grants).

The District has three kinds of funds:

- *Governmental funds* – Most of the District’s basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund 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, the District provides additional information with the governmental funds statements that explain the relationship (or differences) between them.
- *Proprietary funds* – The District’s proprietary funds are food service and daycare. The proprietary fund statements are the same as the business-type activities in the government-wide statements, but provide more detail and additional information, such as cash flows.
- *Fiduciary funds* – The District is fiduciary for assets that belong to others and is responsible for ensuring that assets reported in the fiduciary funds are used only for their intended purposes. The District’s fiduciary funds consist of student activities funds. These funds are excluded from the government-wide financial statements because the assets cannot be used to finance the operations of the District.

**CHRISTIAN COUNTY SCHOOL DISTRICT – HOPKINSVILLE, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

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.

Other information – In addition to the basic financial statements and accompanying notes, this report also provides certain required supplementary information, as well as combining and individual fund statements and schedules beginning on page 54.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets exceeded liabilities by \$32,429,705 as of June 30, 2015.

A significant portion of the District’s net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress) less any outstanding related debt used to acquire those assets. 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.

**CHRISTIAN COUNTY SCHOOL DISTRICT – HOPKINSVILLE, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

Following is a summary of the District’s government-wide net position for the fiscal years ended June 30, 2015 and 2014:

Net Position for the Fiscal Years Ended June 30, 2015 and 2014

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Assets:						
Current and other assets	\$ 21,582,124	\$ 35,507,743	\$ 1,147,717	\$ 1,787,041	\$ 22,729,841	\$ 37,294,784
Capital assets	102,356,086	90,045,089	470,326	492,630	102,826,412	90,537,719
Total Assets	123,938,210	125,552,832	1,618,043	2,279,671	125,556,253	127,832,503
Deferred outflows	3,075,500	1,065,652	102,160	-	3,177,660	1,065,652
Liabilities:						
Long-term debt	91,365,898	72,985,958	833,680	-	92,199,578	72,985,958
Other liabilities	2,490,656	5,946,062	5,974	2,503	2,496,630	5,948,565
Total Liabilities	93,856,554	78,932,020	839,654	2,503	94,696,208	78,934,523
Deferred inflows	1,535,175	-	72,825	-	1,608,000	-
Net Position:						
Investment in capital assets	29,472,372	15,250,320	470,326	492,630	29,942,698	15,742,950
Restricted	12,612,088	24,715,891	-	-	12,612,088	24,715,891
Unrestricted	(10,462,479)	7,720,253	337,398	1,784,538	(10,125,081)	9,504,791
Total Net Position	\$ 31,621,981	\$ 47,686,464	\$ 807,724	\$ 2,277,168	\$ 32,429,705	\$ 49,963,632

Change in net position. The District’s governmental activities net position decreased by \$16,064,483. The components of the net change are a current year increase of \$1,669,274 and a prior period adjustment of (\$17,733,757) for the implementation of GASB 68. The business-type activities net position decreased \$1,469,444. The components of the net change are a current year decrease of \$628,201 and a prior period adjustment of (\$841,243) for the implementation of GASB 68.

The Kentucky School Facilities Construction Commission (SFCC) makes direct payments of principal and interest on District bonds issued for construction of facilities. The bonds payable are included in the long-term obligations for the District, and the payments are recorded as revenue from the State. The result is an increase in net position from the direct payment of principal by the SFCC of \$1,036,582. Another increase is the expenditure of current revenues on capital assets, an expenditure that does not reduce net position on the government-wide statements.

The District’s financial position is the product of many factors. For example, the determination of the District’s investment in capital assets, net of related debt, involves many assumptions and estimates, such as current and accumulated depreciation amounts. Changes in variables such as estimated depreciable lives or capitalization policies may produce significant differences in the calculated amounts.

**CHRISTIAN COUNTY SCHOOL DISTRICT – HOPKINSVILLE, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

Following is a summary of schedule of changes in the District’s net position for the years ended June 30, 2015 and 2014:

Changes in Net Position for the Fiscal Years Ended June 30, 2015 and 2014

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
REVENUES						
Program revenues:						
Charges for services	\$ -	\$ 115,241	\$ 520,274	\$ 751,818	\$ 520,274	\$ 867,059
Operating grants and contributions	26,227,182	26,014,450	5,181,314	5,714,643	31,408,496	31,729,093
Capital grants and contributions	5,198,022	4,777,721	-	-	5,198,022	4,777,721
General revenues:						
Property taxes	12,927,809	12,144,432	-	-	12,927,809	12,144,432
Motor vehicle taxes	1,700,787	1,715,253	-	-	1,700,787	1,715,253
Utility taxes	4,520,771	4,646,338	-	-	4,520,771	4,646,338
Other taxes	-	67	-	-	-	67
Investment earnings	378,065	340,432	12,008	16,835	390,073	357,267
Gain on disposal of capital assets	23,131	3,085	5,141	-	28,272	3,085
State and formula grants	35,108,184	34,675,506	411,581	-	35,519,765	34,675,506
Miscellaneous	1,472,124	1,041,936	-	-	1,472,124	1,041,936
Total revenues	87,556,075	85,474,461	6,130,318	6,483,296	93,686,393	91,957,757
EXPENSES						
Program Activities:						
Instruction	\$ 51,968,019	\$ 51,676,838	\$ -	\$ -	\$ 51,968,019	\$ 51,676,838
Student Support	5,164,044	5,023,775	-	-	5,164,044	5,023,775
Instructional staff support	1,815,260	2,222,773	-	-	1,815,260	2,222,773
District administrative support	2,171,140	2,106,931	-	-	2,171,140	2,106,931
School administrative support	4,483,315	4,104,381	-	-	4,483,315	4,104,381
Business support	3,153,783	2,784,352	-	-	3,153,783	2,784,352
Plant operation and maintenance	8,234,010	8,740,732	-	-	8,234,010	8,740,732
Student transportation	5,319,012	5,430,514	-	-	5,319,012	5,430,514
Community service activities	875,705	873,137	-	-	875,705	873,137
Interest costs	3,021,109	2,402,667	-	-	3,021,109	2,402,667
Business-type Activities						
Food service	-	-	5,897,313	6,139,564	5,897,313	6,139,564
Child care	-	-	542,610	467,132	542,610	467,132
Total expenses	86,205,397	85,366,100	6,439,923	6,606,696	92,645,320	91,972,796
Change in net position before extraordinary item and transfers	1,350,678	108,361	(309,605)	(123,400)	1,041,073	(15,039)
Extraordinary item - KSBIT	-	135,077	-	-	-	135,077
Transfers in (out)	318,596	268,249	(318,596)	(268,249)	-	-
Change in net position after extraordinary item and transfers	\$ 1,669,274	\$ 511,687	\$ (628,201)	\$ (391,649)	\$ 1,041,073	\$ 120,038

**CHRISTIAN COUNTY SCHOOL DISTRICT – HOPKINSVILLE, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

FINANCIAL ANALYSIS OF THE DISTRICT’S GOVERNMENTAL FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds – The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, The District’s governmental funds reported combined ending fund balances of \$19,507,034 a decrease of \$13,158,823 in comparison to the prior year. The following schedule indicates the fund balances and the total changes in fund balances by major fund and other governmental (nonmajor) funds as reported in the basic financial statements for the fiscal years ended June 30, 2015 and 2014.

The main sources of the General Fund’s revenues are state aid in the form of SEEK allocations and locally assessed taxes. The majority of the District’s activities are accounted for in the General Fund. The Special Revenue Fund consists of grant revenues, mostly state funds and federal funds administered through the state, and expenditures of those grants for specific programs in accordance with the grants’ guidelines. In addition to the Special Revenue (Grant) Fund, the District has the Special Revenue District Activity Fund which includes funds restricted to expenditure for purposes specified by Redbook requirements.

The SEEK Capital Outlay Fund’s revenues are derived from state SEEK allowances based upon student enrollment. The FSPK Building Fund’s revenues are produced by a five-cent special property tax assessment and matching state funds. The use of both funds’ resources is generally restricted to facilities acquisition or improvement and payment of the related debt on facilities. The Construction Fund is used to account for facility construction and improvement projects funded by other funds or borrowing.

The Debt Service Fund is used to account for all activities related to long-term obligations.

**CHRISTIAN COUNTY SCHOOL DISTRICT – HOPKINSVILLE, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

Changes in Fund Balances for the Fiscal Years Ended June 30, 2015 and 2014

Changes in Fund Balances of Governmental Funds

	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>
Governmental Funds			
General Fund	\$ 7,172,657	\$ 8,116,932	\$ (944,275)
Special Revenue Fund	383,779	261,569	122,210
Construction Fund	3,386,365	17,968,333	(14,581,968)
Debt Service Fund	8,301,252	6,075,560	2,225,692
Capital Outlay Fund	2,970	217,378	(214,408)
Building Fund	27,852	26,085	1,767
District Activity Fund	232,159	-	232,159
	<u>\$ 19,507,034</u>	<u>\$ 32,665,857</u>	<u>\$ (13,158,823)</u>
Total governmental funds	<u>\$ 19,507,034</u>	<u>\$ 32,665,857</u>	<u>\$ (13,158,823)</u>

General Fund – The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the unassigned fund balance of the General Fund is \$5,262,920, while total fund balance was \$7,172,657. As a measure of the General Fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures. Unassigned fund balance represents 7.70% of the total General Fund expenditures, while total fund balance represents 10.50% of that same amount.

During the current fiscal year, the total fund balance of the General Fund decreased by \$944,275. Revenues, transfers in, and proceeds from disposal of fixed assets totaling \$68,156,387 increased \$2,712,292 while expenditures and transfers out totaling \$69,100,662 increased \$2,168,802. This decrease in General Fund balance was primarily due to little or no change in state funding, little or no change in property tax revenue, while maintaining and/or growing instructional programs.

**CHRISTIAN COUNTY SCHOOL DISTRICT – HOPKINSVILLE, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

GENERAL FUND BUDGETARY HIGHLIGHTS

In accordance with directives from the Kentucky Department of Education (DOE) and Kentucky law, the District’s funds budgets are prepared to account for most transactions on a cash receipt/cash disbursement basis. The DOE requires a budget in which any budgeted remaining fund balance is shown as a contingency expense and any amounts being accumulated for other purposes ultimately shown as unspent or over-budgeted expenditures. By law, the budget must have a minimum 2% contingency. The District adopted a General Fund budget with a contingency of 4.54%. Over the course of the year, the District revises the annual operating budget as circumstances dictate or as required by DOE.

The note accompanying the Budgetary Comparison Schedules in the Required Supplementary Information indicates the General Fund budget included \$14,195,862 of state payments on-behalf of District employees for retirement and health benefits, technology and debt service. These payments are reflected as state program revenues and in each type of expenditure in relation to wages paid, with the major portion contained in instructional expenditures. Local revenues are budgeted conservatively resulting in a favorable variance of local revenues for the year.

- The District’s total revenues for General Fund activities for the fiscal year ended June 30, 2015, excluding interfund transfers, and beginning balances were \$56,426,290; compared to the total budgeted revenues of \$52,511,061.
- The District’s total expenditures for General Fund activities for the fiscal year ended June 30, 2015, excluding interfund transfers \$56,937,015; compared to the total budgeted expenditures of \$58,501,044.

Significant Board action that impacts the finances includes reduction in bus purchases, elimination of textbook purchases, and limiting facility improvements and major purchases throughout the District.

Fund 2 is made up of state, local, and federal grants. These grants include Title programs, IDEA B special education and preschool funding, Flex Focus state dollars and others. These funds have restricted use, according to the guidelines for each. Expenses include salaries and benefits, supplies, programming costs, and travel and training costs.

Funds 310 and 320 are restricted funds for capital projects. The District has used those funds for debt service payments. The State contributes to those funds.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets – At June 30, 2015, the District had \$102,826,412 invested in capital assets net of depreciation: historical cost totaled \$152,997,975 with accumulated depreciation totaling \$50,171,563. These assets include school, athletic, and support facilities, as well as technology, food service, and other equipment. Funds in the amount of \$16,888,257 were expended on acquisition and improvements during the year. Depreciation charged to expense during the year totaled \$4,553,437, the majority of which was charged to governmental functions. More detailed information relating to capital assets may be found in Note 4 to the financial statements.

**CHRISTIAN COUNTY SCHOOL DISTRICT – HOPKINSVILLE, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

Following is a summary of capital assets, net of depreciation, for the fiscal years ended June 30, 2015 and 2014.

Net Capital Assets for the Fiscal Years Ended June 30, 2015 and 2014

	Governmental Activities		Business-type Activities		District Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 2,614,956	\$ 2,622,402	\$ -	\$ -	\$ 2,614,956	\$ 2,622,402
Construction in progress	25,670,286	10,613,721	-	-	25,670,286	10,613,721
Land improvements	1,013,871	1,065,287	-	-	1,013,871	1,065,287
Buildings and improvements	65,420,151	67,425,614	-	-	65,420,151	67,425,614
Technology equipment	2,740,245	3,029,034	11,915	15,953	2,752,160	3,044,987
Vehicles	3,479,640	3,827,138	-	-	3,479,640	3,827,138
General equipment	1,416,937	1,461,893	458,411	476,677	1,875,348	1,938,570
	<u>\$ 102,356,086</u>	<u>\$ 90,045,089</u>	<u>\$ 470,326</u>	<u>\$ 492,630</u>	<u>\$ 102,826,412</u>	<u>\$ 90,537,719</u>

Long-Term Debt – The District’s long-term general obligation bonds outstanding at June 30, 2015 were \$73,560,000. Of that amount, the Kentucky SFCC has agreed to make a portion of the principal and interest payment under agreements previously described. Though the District is liable for the full amount of the bonds and the full amount is recorded on the financial statements, the SFCC has agreed to pay \$17,121,802 of the bonds leaving the District to pay \$56,438,198. The liability for compensated absences remained steady for the fiscal year. Other long-term obligations, consists of a liability resulting from a claim for the District’s portion of workers compensation losses incurred by the Kentucky School Board Insurance Trust.

The State must approve the issuance of any new bonds of the District.

More detailed information about the District’s long-term liabilities may be found in Note 5 to the financial statements.

OUTLOOK FOR THE FUTURE

The most crucial aspect in the financial future of the District is continued adequate funding from the state. The District’s major source of revenue is state aid, primarily Kentucky SEEK funding. A factor in that SEEK formula is base funding driven by average daily attendance, and the District faces the challenges of very little growth in student enrollment each year. Also, as we look forward, we expect unfunded mandates and the national economy to have an impact on our District.

The District’s financial position is contingent upon legislation and factors related to property taxation in conjunction with decisions made by the District’s Board management. Though local property assessments continue to rise, the SEEK reduction based upon the required 30-cent local levy on those assessments and our low property tax rate — have produced little significant, additional revenue on which the District can strengthen its financial position substantially.

**CHRISTIAN COUNTY SCHOOL DISTRICT – HOPKINSVILLE, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

The District remains committed to utilizing resources to provide the maximum benefit to students and provide them with a quality education. This involves closely monitoring legislation, effectively managing our grant resources, controlling expenditures, and seeking new sources of revenues. The re-districting of attendance zones and the closure of Belmont, Lacy and Holiday Elementary Schools should save the District at least \$370,000 annually that can be utilized to provide more educational opportunities for all students.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District’s finances, comply with finance-related laws and regulations, and demonstrate the District’s commitment to public accountability. Questions regarding this report should be directed to Jessica Darnell, Director of Finance, 200 Glass Avenue, Hopkinsville, KY 42240 (270.887.7000).

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**CHRISTIAN COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015**

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 13,092,747	\$ 987,977	\$ 14,080,724
Investments	6,772,791	-	6,772,791
Prepays	189,042	-	189,042
Inventory	-	105,882	105,882
Receivables:			
Taxes	492,423	-	492,423
Other	121,590	-	121,590
Interfund	308,914	-	308,914
Intergovernmental - state	34,531	-	34,531
Intergovernmental - indirect federal	324,249	53,858	378,107
Intergovernmental - direct federal	245,837	-	245,837
Capital assets			
Non-depreciable	28,285,242	-	28,285,242
Depreciable (net)	74,070,844	470,326	74,541,170
Total assets	123,938,210	1,618,043	125,556,253
Deferred Outflows of Resources			
Deferred pension amounts	2,153,578	102,160	2,255,738
Deferred amount on refunding of debt	921,922	-	921,922
Total deferred outflows of resources	3,075,500	102,160	3,177,660
Liabilities			
Accounts payable	927,898	5,974	933,872
Interfund payable	308,914	-	308,914
Accrued interest	661,403	-	661,403
Unearned revenue	592,441	-	592,441
Long-term obligations:			
Portion due or payable within one year:			
Bonds payable	2,065,000	-	2,065,000
Claims	27,433	-	27,433
Accrued compensated absences	277,711	-	277,711
Portion due or payable after one year:			
Bonds payable	70,818,714	-	70,818,714
Claims	137,165	-	137,165
Compensated absences	465,555	-	465,555
Net pension liability	17,574,320	833,680	18,408,000
Total liabilities	93,856,554	839,654	94,696,208
Deferred Inflows of Resources			
Deferred pension amounts	1,535,175	72,825	1,608,000
Total deferred inflows of resources	1,535,175	72,825	1,608,000
Net Position			
Net investment in capital assets	29,472,372	470,326	29,942,698
Restricted	12,612,088	-	12,612,088
Unrestricted	(10,462,479)	337,398	(10,125,081)
Total net position	\$ 31,621,981	\$ 807,724	\$ 32,429,705

See accompanying notes to financial statements

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

Functions/Programs	Program Revenues			Net (Expenses) Revenues	
	Expenses	Charges for Services	Operating Grants & Contributions		Capital Grants & Contributions
Governmental Activities:					
Current:					
Instruction	\$ 51,968,019	\$ -	\$ 20,394,144	\$ -	\$ (31,573,875)
Student	5,164,044	-	1,316,524	-	(3,847,520)
Instructional staff	1,815,260	-	498,196	-	(1,317,064)
District administration	2,171,140	-	197,397	-	(1,973,743)
School administration	4,483,315	-	936,172	-	(3,547,143)
Business	3,153,783	-	552,400	-	(2,601,383)
Plant operation and maintenance	8,234,010	-	513,850	-	(7,720,160)
Student transportation	5,319,012	-	949,683	-	(4,369,329)
Community service activities	875,705	-	868,816	-	(6,889)
Facilities acquisition and construction	-	-	-	2,073,572	2,073,572
Interest on long-term debt	3,021,109	-	-	3,124,450	103,341
Total governmental activities	86,205,397	-	26,227,182	5,198,022	(54,780,193)
Business-Type Activities:					
Food service	5,897,313	195,083	5,076,098	-	(626,132)
Day care	542,610	325,191	105,216	-	(112,203)
Total business-type activities	6,439,923	520,274	5,181,314	-	(738,335)
Total activities	\$ 92,645,320	\$ 520,274	\$ 31,408,496	\$ 5,198,022	\$ (55,518,528)
Governmental Activities Business-Type Activities Total					
Changes in Net Position					
Net revenues (expenses)			\$ (54,780,193)	\$ (738,335)	\$ (55,518,528)
General Revenues					
Taxes:					
Property			12,927,809	-	12,927,809
Motor vehicle			1,700,787	-	1,700,787
Utilities			4,520,771	-	4,520,771
Investment earnings			378,065	12,008	390,073
State grants			35,108,184	411,581	35,519,765
Gain (loss) on sale of fixed assets			23,131	5,141	28,272
Miscellaneous			1,472,124	-	1,472,124
Total general revenues			56,130,871	428,730	56,559,601
Transfers			318,596	(318,596)	-
Change in net position			1,669,274	(628,201)	1,041,073
Net position, July 1, 2014			47,686,464	2,277,168	49,963,632
Implementation of GASB 68 (Note 17)			(17,733,757)	(841,243)	(18,575,000)
Net position, July 1, 2014, restated			29,952,707	1,435,925	31,388,632
Net position, June 30, 2015			\$ 31,621,981	\$ 807,724	\$ 32,429,705

See accompanying notes to financial statements

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

**CHRISTIAN COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	General Fund	Special Revenue	Construction Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 6,220,620	\$ 632,507	\$ 4,104,862	\$ 1,528,461	\$ 606,297	\$ 13,092,747
Investments	-	-	-	6,772,791	-	6,772,791
Accounts receivable:						
Taxes	492,423	-	-	-	-	492,423
Other	121,590	-	-	-	-	121,590
Interfund receivable	308,914	-	-	-	-	308,914
Intergovernmental - state	-	34,531	-	-	-	34,531
Intergovernmental - federal	-	324,249	-	-	-	324,249
Prepaid expenditures	189,042	-	-	-	-	189,042
Total assets	\$ 7,332,589	\$ 991,287	\$ 4,104,862	\$ 8,301,252	\$ 606,297	\$ 21,336,287
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 159,932	\$ 15,067	\$ 718,497	\$ -	\$ 34,402	\$ 927,898
Interfund payable	-	-	-	-	308,914	308,914
Unearned revenue	-	592,441	-	-	-	592,441
Total liabilities	159,932	607,508	718,497	-	343,316	1,829,253
Fund balances						
Nonspendable	189,042	-	-	-	-	189,042
Spendable:						
Restricted	277,711	383,779	3,386,365	8,301,252	262,981	12,612,088
Committed	-	-	-	-	-	-
Assigned	1,442,984	-	-	-	-	1,442,984
Unassigned	5,262,920	-	-	-	-	5,262,920
Total fund balances	7,172,657	383,779	3,386,365	8,301,252	262,981	19,507,034
Total liabilities and fund balances	\$ 7,332,589	\$ 991,287	\$ 4,104,862	\$ 8,301,252	\$ 606,297	\$ 21,336,287

See accompanying notes to financial statements

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

Total fund balance per fund financial statements	\$	19,507,034
Amounts reported for governmental activities in the statement of net position are different because:		
Interest receivable		245,837
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$150,425,215, and the accumulated depreciation is \$48,069,129.		102,356,086
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.		921,922
Pension related items:		
Deferred outflow		2,153,578
Deferred inflow		(1,535,175)
Unfunded pension liability		(17,574,320)
Certain liabilities are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position:		
Bonds payable (net of discounts/premiums)		(72,883,714)
Interest payable		(661,403)
Compensated absences		(743,266)
Claims		(164,598)
		(74,392,981)
Net position for governmental activities	\$	31,621,981

See accompanying notes to financial statements

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

	General Fund	Special Revenue	Construction Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
From local sources:						
Taxes						
Property	\$ 11,151,545	\$ -	\$ -	\$ -	\$ 1,776,264	\$ 12,927,809
Motor vehicle	1,700,787	-	-	-	-	1,700,787
Utilities	4,520,771	-	-	-	-	4,520,771
Earnings on investments	105,565	-	77,888	192,501	2,111	378,065
Other local revenues	987,058	22,881	-	-	462,185	1,472,124
Intergovernmental - state	48,966,909	3,906,633	-	1,756,519	2,073,572	56,703,633
Intergovernmental - federal	337,138	8,124,687	-	1,367,931	-	9,829,756
Total revenues	<u>67,769,773</u>	<u>12,054,201</u>	<u>77,888</u>	<u>3,316,951</u>	<u>4,314,132</u>	<u>87,532,945</u>
EXPENDITURES						
Current:						
Instruction	39,624,767	10,290,078	-	-	288,289	50,203,134
Student	4,832,849	253,236	-	-	63,960	5,150,045
Instructional staff	1,667,989	193,984	-	-	5,718	1,867,691
District administration	1,740,169	-	-	-	-	1,740,169
School administration	4,381,200	-	-	-	-	4,381,200
Business	3,148,318	-	-	-	-	3,148,318
Plant operation and maintenance	8,292,740	24,750	-	-	-	8,317,490
Student transportation	4,592,526	488,963	-	-	-	5,081,489
Community service activities	-	875,705	-	-	-	875,705
Building acquisition and construction	-	-	15,429,745	-	-	15,429,745
Building improvements	-	-	179,082	-	-	179,082
Debt service	-	-	-	5,150,701	54,866	5,205,567
Total expenditures	<u>68,280,558</u>	<u>12,126,716</u>	<u>15,608,827</u>	<u>5,150,701</u>	<u>412,833</u>	<u>101,579,635</u>
Excess (deficit) of revenues over over (under) expenditures	<u>(510,785)</u>	<u>(72,515)</u>	<u>(15,530,939)</u>	<u>(1,833,750)</u>	<u>3,901,299</u>	<u>(14,046,690)</u>
Other financing sources (uses)						
Proceeds from bond sale	-	-	501,253	-	-	501,253
Proceeds from sale of fixed assets	68,018	-	-	-	-	68,018
Operating transfers in	318,596	194,725	1,131,459	4,059,442	127,883	5,832,105
Operating transfers out	(820,104)	-	(683,741)	-	(4,009,664)	(5,513,509)
Total other financing sources (uses)	<u>(433,490)</u>	<u>194,725</u>	<u>948,971</u>	<u>4,059,442</u>	<u>(3,881,781)</u>	<u>887,867</u>
Net change in fund balances	<u>(944,275)</u>	<u>122,210</u>	<u>(14,581,968)</u>	<u>2,225,692</u>	<u>19,518</u>	<u>(13,158,823)</u>
Fund balances, July 1, 2014	8,247,696	130,805	17,968,333	6,075,560	243,463	32,665,857
Prior period adjustment	<u>(130,764)</u>	<u>130,764</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, July 1, 2014, restated	<u>8,116,932</u>	<u>261,569</u>	<u>17,968,333</u>	<u>6,075,560</u>	<u>243,463</u>	<u>32,665,857</u>
Fund balances, June 30, 2015	<u>\$ 7,172,657</u>	<u>\$ 383,779</u>	<u>\$ 3,386,365</u>	<u>\$ 8,301,252</u>	<u>\$ 262,981</u>	<u>\$ 19,507,034</u>

See accompanying notes to financial statements

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

Net change in fund balances - Total governmental funds \$ (13,158,823)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expenses exceeded capital outlay in the current period.

Capital outlay	16,808,747	
Depreciation expense	(4,452,864)	
Net capital outlay	12,355,883	12,355,883

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins) is to decrease net position (44,886)

Bond proceeds are reported as other financing sources in governmental funds and contribute to the change in fund balance. However, in the statement of net position, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of bond principal is an expenditure in the government funds financial statements but is a reduction of the liability in the statement of net position.

Bond proceeds	(500,000)	
Bond premium	(1,253)	
Bond repayments	2,475,000	1,973,747

Some items reported in the statement of activities do not involve current financial resources and, therefore, are not reported as expenditures in the governmental funds. These activities are:

Deferred pension amounts	777,840	
Claims	54,866	
Accumulated sick leave	56,055	
Amortization of bond discounts/premiums	(206,422)	
Accrued interest on bonds	(138,986)	543,353

Change in net position of governmental activities \$ 1,669,274

See accompanying notes to financial statements

PROPRIETARY FUND FINANCIAL STATEMENTS

**CHRISTIAN COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015**

	<u>School Food Service Fund</u>	<u>Day Care Fund</u>	<u>Total</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 801,490	\$ 186,487	\$ 987,977
Accounts receivable			
Intergovernmental - indirect federal	50,655	3,203	53,858
Inventory	<u>105,882</u>	<u>-</u>	<u>105,882</u>
Total current assets	<u>958,027</u>	<u>189,690</u>	<u>1,147,717</u>
Noncurrent assets			
Capital assets	2,572,758	-	2,572,758
Less: accumulated depreciation	<u>(2,102,432)</u>	<u>-</u>	<u>(2,102,432)</u>
Total noncurrent assets	<u>470,326</u>	<u>-</u>	<u>470,326</u>
Total assets	<u>1,428,353</u>	<u>189,690</u>	<u>1,618,043</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension amounts	<u>86,875</u>	<u>15,285</u>	<u>102,160</u>
LIABILITIES			
Current liabilities			
Accounts payable	<u>3,490</u>	<u>2,484</u>	<u>5,974</u>
Total current liabilities	<u>3,490</u>	<u>2,484</u>	<u>5,974</u>
Long term liabilities			
Unfunded pension liability	<u>708,947</u>	<u>124,733</u>	<u>833,680</u>
Total long term liabilities	<u>708,947</u>	<u>124,733</u>	<u>833,680</u>
Total liabilities	<u>712,437</u>	<u>127,217</u>	<u>839,654</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred pension amounts	<u>61,929</u>	<u>10,896</u>	<u>72,825</u>
NET POSITION			
Invested in capital assets, net of related debt	470,326	-	470,326
Unrestricted	<u>270,536</u>	<u>66,862</u>	<u>337,398</u>
Total net position	<u>\$ 740,862</u>	<u>\$ 66,862</u>	<u>\$ 807,724</u>

See accompanying notes to financial statements

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

	School Food Service Fund	Day Care Fund	Total
OPERATING REVENUES			
Lunchroom sales	\$ 195,083	\$ -	\$ 195,083
Day care fees	-	325,191	325,191
Total operating revenues	195,083	325,191	520,274
OPERATING EXPENSES			
Salaries and wages	2,482,402	480,658	2,963,060
Contract services	155,345	12,101	167,446
Materials and supplies	3,158,993	49,801	3,208,794
Depreciation	100,573	-	100,573
Other	-	50	50
Total operating expenses	5,897,313	542,610	6,439,923
Operating income (loss)	(5,702,230)	(217,419)	(5,919,649)
NON-OPERATING REVENUES (EXPENSES)			
Federal grants	4,739,946	-	4,739,946
Donated commodities	254,422	-	254,422
State grants	54,642	102,517	157,159
State on-behalf payments	336,152	105,216	441,368
Gain (loss) on disposal of fixed asset	5,141	-	5,141
Interest income	12,008	-	12,008
Total non-operating revenues (expenses)	5,402,311	207,733	5,610,044
Transfers out	(318,596)	-	(318,596)
Change in net position	(618,515)	(9,686)	(628,201)
Net position, July 1, 2014	2,074,756	202,412	2,277,168
Implementation of GASB 68 (Note 17)	(715,379)	(125,864)	(841,243)
Net position, July 1, 2014, restated	1,359,377	76,548	1,435,925
Net position, June 30, 2015	\$ 740,862	\$ 66,862	\$ 807,724

See accompanying notes to financial statements

**CHRISTIAN COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	School Food Service Fund	Day Care Fund	Total
Cash flows from operating activities			
Cash received from:			
Lunchroom sales	\$ 284,994	\$ -	\$ 284,994
Other activities	-	321,987	321,987
Cash paid to/for:			
Employees	(2,177,628)	(380,962)	(2,558,590)
Materials and supplies	(2,928,423)	(47,741)	(2,976,164)
Other activities	(155,345)	(12,151)	(167,496)
Net cash provided (used) by operating activities	<u>(4,976,402)</u>	<u>(118,867)</u>	<u>(5,095,269)</u>
Cash flows from noncapital financing activities			
Federal grants	4,739,946	-	4,739,946
State grants	54,642	102,517	157,159
Transfers to other funds	(318,596)	-	(318,596)
Net cash provided (used) by noncapital financing activities	<u>4,475,992</u>	<u>102,517</u>	<u>4,578,509</u>
Cash flows from capital and related financing activities			
Purchase of fixed assets	(79,510)	-	(79,510)
Proceeds from sale of fixed assets	6,380	-	6,380
Net cash provided (used) by noncapital financing activities	<u>(73,130)</u>	<u>-</u>	<u>(73,130)</u>
Cash flows from investing activities			
Receipt of interest income	12,008	-	12,008
Net cash provided (used) by investing activities	<u>12,008</u>	<u>-</u>	<u>12,008</u>
Net increase (decrease) in cash and cash equivalents	(561,532)	(16,350)	(577,882)
Cash and cash equivalents as of July 1, 2014	<u>1,363,022</u>	<u>202,837</u>	<u>1,565,859</u>
Cash and cash equivalents as of June 30, 2015	<u>\$ 801,490</u>	<u>\$ 186,487</u>	<u>\$ 987,977</u>

See accompanying notes to financial statements

**CHRISTIAN COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS, continued
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

**Reconciliation of operating income to
net cash provided from operating activities**

Operating income (loss)	\$ (5,702,230)	\$ (217,419)	\$ (5,919,649)
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**Adjustments to reconcile net operating revenues
to net cash from operating activities**

Depreciation	100,573	-	100,573
Donated commodities	254,422	-	254,422
On-behalf payments	336,152	105,216	441,368
Change in assets and liabilities:			
Accounts receivable	89,911	(3,204)	86,707
Inventory	(25,264)	-	(25,264)
Deferred pension amounts	(31,378)	(5,520)	(36,898)
Accounts payable	1,412	2,060	3,472

**Net cash provided (used) by
operating activities**

	<u>\$ (4,976,402)</u>	<u>\$ (118,867)</u>	<u>\$ (5,095,269)</u>
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Schedule of non-cash transactions:

Donated commodities from federal government	\$ 254,422	\$ -	\$ 254,422
On-behalf payments	336,152	105,216	441,368

See accompanying notes to financial statements

FIDUCIARY FUNDS FINANCIAL STATEMENTS

**CHRISTIAN COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2015**

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 521,911
Accounts receivable	-
Total assets	\$ 521,911
 LIABILITIES	
Accounts payable	\$ -
Due to student groups	521,911
Total liabilities	521,911
 NET POSITION	 \$ -

See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS

**CHRISTIAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Christian 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 education within the jurisdiction of the Christian County School District (District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not a component unit of any other governmental “reporting entity”. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the District, have not originated within the District itself such as band boosters, parent-teacher associations, etc.

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

Based on the foregoing criteria, the financial statements of the Christian County School District Finance Corporation are included in the accompanying financial statements. In 1991, the Board authorized the establishment of the Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the District for financing the costs of school building facilities. The Board Members of the Christian County Board of Education also comprise the Corporation’s Board of Directors.

Basis of Presentation

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds. Interfund activity is eliminated to avoid “doubling up” revenues and expenses.

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.

**CHRISTIAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 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 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 Net Position for the Proprietary Funds reports increases and decreases in total economic net worth.

Under the terms of the District's grant agreements, certain programs are funded by specific cost-reimbursement grants and general revenues. Generally, the District applies cost reimbursement funds first to finance such programs with remaining costs paid for with general revenues.

Accounting principles generally accepted in the United States of America require that the General Fund be reported as a major fund. All other governmental and proprietary funds whose assets, liabilities, revenues, or expenditures comprise at least 10% of total for the relevant fund category and at least 5% of the corresponding total for all governmental and proprietary funds combined must also be reported as major funds.

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. The following are the District's Governmental Funds:

**CHRISTIAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 of the District.

Special Revenue Funds account for proceeds of specific revenue sources (other than agency funds or major capital projects) that are legally restricted to disbursements for specified purposes.

The *Special Revenue (Grant) Fund* includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods, as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

The *Special Revenue District Activity Fund* includes funds restricted to expenditures for purposes specified by Redbook requirements. Project accounting is employed to maintain integrity for the various sources of funds.

Capital Projects 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).

The *Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund* receives those funds designated by the state as capital outlay funds and is generally restricted for use in financing projects identified in the District's facility plan.

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

The *Construction Fund* accounts for proceeds from sales of bonds and other revenue to be used for authorized construction. This is a major fund of the District.

The *Debt Service Fund* accounts for the accumulation of resources for, and the payment of, bonded debt and lease obligations, interest and related costs. This is a major fund of the District.

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. The funds' principal operating revenues are food service charges and daycare fees. Operating expenses include salaries, benefits, supplies and depreciation on capital assets. All items not meeting this definition are reported as nonoperating revenues and expenses. The District has two proprietary funds:

**CHRISTIAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

The *School Food Service Fund* is used to account for school food service activities, including the National School Lunch Program and the National School Breakfast Program, 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 of the District.

The *Child Care Fund* accounts for the daycare operations of the District. Amounts have been recorded for on-behalf payments for retirement and health insurance paid by the State of Kentucky.

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.

Agency Funds account for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Kentucky Department of Education *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.

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 use the accrual basis of accounting.

Revenue Recognition

Revenues – Exchange and Non-exchange Transactions:

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. “Available” means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, “available” means expected to be received within 60 days after year-end.

**CHRISTIAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted, matching requirements in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue.

Donated Commodities

The fair value of donated commodities received during the year is reported in the proprietary fund statement of revenues, expenses and changes in net position as an expense and as donated commodities revenue (nonoperating revenue).

Expenses/Expenditures

Using the accrual basis of accounting, expenses are recognized at the time a liability is incurred. In the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Property taxes

Property taxes collected are recorded as revenues in the fund for which they were levied. Property taxes are levied on the assessed value listed as of the prior January 1 for all real and personal property located in the District. Taxes become delinquent after December 31.

The property tax rates for the year ended June 30, 2015, to finance the General Fund operations were \$.396 per \$100 valuation for real property, \$.398 per \$100 valuation for business tangible personal property, and \$.566 per \$100 valuation for motor vehicles.

**CHRISTIAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

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 basic financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds, and after nonoperating revenues/expenses in proprietary funds.

Encumbrances

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year. An assignment of fund balance equal to outstanding encumbrances at year-end is provided for at June 30, 2015. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying combined financial statements.

Assets, Liabilities and Equity

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and time deposits that are nonnegotiable, to be cash and cash equivalents, for governmental, proprietary and fiduciary funds. This definition is also used for the proprietary fund's statements of cash flows.

Prepaid Expenditures

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

**CHRISTIAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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. 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.

Restricted Assets

Certain assets of the General Fund are classified as restricted assets because their use is restricted by KRS 157.420(3).

Interfund Balances

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

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 value to the value of the asset or materially extend an asset's life are not. Improvements are depreciated over the remaining useful lives of the related capital assets.

All reported capital assets except land and construction in progress 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:

**CHRISTIAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

<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

Accrued Liabilities and Long-Term Obligations

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

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

Debt Premiums and Discounts

Unamortized premiums and discounts associated with bond issues are amortized over the lives of the related bonds using the straight-line method and are an addition (premium) or deduction (discount) to the debt balances in the government-wide statements.

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.

**CHRISTIAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Pensions

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category: the deferred outflows of resources relate to the net pension liability described in Note 11 and deferred amount on refunding of debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category: the deferred inflows of resources relate to the net pension liability described in Note 11.

Fund Balances

In the fund financial statements, governmental fund balances as classified as follows:

Non-spendable – Includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints.

Restricted – Amounts which can be spent only for specific purposes because of state or federal laws, or externally imposed conditions by grantors or creditors.

Committed – Amounts which can be used only for specific purposes determined by the Board of Education’s formal action through a resolution.

Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Board or Management. The board adopted a resolution establishing the authority to assign funds.

Unassigned – All amounts not included in other spendable classifications.

**CHRISTIAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

In governmental funds, when an expenditure is incurred that can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications—committed, assigned, and then unassigned fund balances.

Net Position

Net positions represent the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources on the district-wide financial statements. Net positions are classified in the following categories:

Net investment in capital assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted net position – This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted net position – This amount is the net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

Subsequent Events

Subsequent events have been evaluated through October 30, 2015, which is the date the financial statements were available to be issued.

**CHRISTIAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 – CASH AND CASH EQUIVALENTS

Custodial Credit Risk for deposits 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. The District’s cash deposits are covered by Federal Depository Insurance Corporation up to \$250,000 per financial institution, with the remainder covered by collateral agreements and collateral held by the pledging banks’ trust departments in the District’s name. At June 30, 2015, the District’s bank balance of \$17,144,140 was fully collateralized.

At June 30, 2015, the carrying amount of the District’s cash and cash equivalents was \$14,602,635.

The carrying amounts are reflected in the financial statements as follows:

Governmental activities	\$ 13,092,747
Business-type activities	987,977
Fiduciary funds	<u>521,911</u>
	<u>\$ 14,602,635</u>

NOTE 3 – INVESTMENTS

As of June 30, 2015, the District had an investment of \$6,772,791 in Natixis Funding Corporation Tri-party Repurchase Agreement. This is a guaranteed investment contract used as a sinking reserve fund for the Series 2010A School Building Revenue Bonds.

Investment	Maturity	Rating	Fair Value
Natixis Funding Corporation	March 8, 2027	A2/P1	\$ 6,772,791

**CHRISTIAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 3 – INVESTMENTS, continued

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the District's investing activities are under the custody of the District Finance Director. Investing policies comply with state Statutes. Kentucky Revised Statute 66.480 defines the following items as permissible investments:

- Obligations of the United States and of its agencies and instrumentalities;
- Obligations of any corporation of the United States Government;
- Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency;
- Commercial paper rated in the highest category by a nationally recognized rating agency;
- Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities;
- Banker's acceptances for banks rated in one (1) of the three (3) highest categories by a nationally recognized rating agency;
- Uncollateralized certificates of deposit issued by any bank or savings and loan institution rated in one (1) of the three (3) highest categories by a nationally recognized rating agency. Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance corporation or similar entity of which are collateralized, to the extent uninsured, by any obligations, including surety bonds, permitted by KR 41.240(4);
- Securities issued by a state or local government, or any instrumentality or agency thereof, in the United States, and rated in one (1) of the three (3) highest categories by a nationally recognized rating agency; and
- Shares of mutual funds, each of which shall have the following characteristics:
 1. The mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended;
 2. The management company of the investment company shall have been in operation for at least five (5) years; and
 3. All of the securities in the mutual fund shall be eligible investments pursuant to this section.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. U. S. Government securities and investments in mutual funds are excluded from this risk. The District has all of its investment in a Small Business Administration investment. Custodial Credit Risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment is held by the counterparty in the District's name. The investment is fully collateralized.

**CHRISTIAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 – 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
Capital assets not being depreciated:				
Land	\$ 2,622,402	\$ -	\$ 7,446	\$ 2,614,956
Construction in progress	10,613,721	15,984,964	928,399	25,670,286
Total non-depreciable historical cost	<u>13,236,123</u>	<u>15,984,964</u>	<u>935,845</u>	<u>28,285,242</u>
Capital assets being depreciated:				
Land improvements	1,333,680	-	-	1,333,680
Buildings and improvements	98,276,109	46,718	357,252	97,965,575
Technology equipment	8,217,987	1,132,095	830,978	8,519,104
Vehicles	11,415,073	406,166	739,629	11,081,610
General equipment	3,097,181	167,203	24,380	3,240,004
Total depreciable historical cost	<u>122,340,030</u>	<u>1,752,182</u>	<u>1,952,239</u>	<u>122,139,973</u>
Less: accumulated depreciation				
Land improvements	268,393	51,416	-	319,809
Buildings and improvements	30,850,495	2,052,181	357,252	32,545,424
Technology equipment	5,188,953	1,393,570	803,664	5,778,859
Vehicles	7,587,935	753,664	739,629	7,601,970
General equipment	1,635,288	202,033	14,254	1,823,067
Total accumulated depreciation	<u>45,531,064</u>	<u>4,452,864</u>	<u>1,914,799</u>	<u>48,069,129</u>
Total depreciable historical cost, net	<u>76,808,966</u>	<u>(2,700,682)</u>	<u>37,440</u>	<u>74,070,844</u>
Governmental Activities Capital Assets-Net	<u>\$ 90,045,089</u>	<u>\$ 13,284,282</u>	<u>\$ 973,285</u>	<u>\$ 102,356,086</u>
Business-Type Activities				
Technology equipment	\$ 32,963	\$ -	\$ 3,200	\$ 29,763
Food service equipment	2,466,924	79,510	3,437	2,542,997
Totals at historical cost	<u>2,499,887</u>	<u>79,510</u>	<u>6,637</u>	<u>2,572,760</u>
Accumulated depreciation:				
Technology equipment	17,010	4,038	3,200	17,848
Food service equipment	1,990,247	96,535	2,196	2,084,586
Total accumulated depreciation	<u>2,007,257</u>	<u>100,573</u>	<u>5,396</u>	<u>2,102,434</u>
Business-Type Activities Capital Assets-Net	<u>\$ 492,630</u>	<u>\$ (21,063)</u>	<u>\$ 1,241</u>	<u>\$ 470,326</u>

**CHRISTIAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 – CAPITAL ASSETS, continued

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 2,914,724
Support services:	
Student support	13,999
Instructional staff	3,624
District administration	430,971
School administration	102,115
Business support	5,465
Plant operation and maintenance	315,725
Transportation	666,241
	<u>\$ 4,452,864</u>

NOTE 5 – LONG-TERM OBLIGATIONS

The various issues of school building revenue bonds are as follows:

Issue Date	Original Proceeds	Interest Rates	Balance June 30, 2015
2002A	\$ 545,000	1.50% - 3.65%	\$ -
2002B	1,945,000	1.40% - 3.60%	-
2003	3,980,000	1.00% - 3.38%	455,000
2003E	2,200,000	2.00% - 3.70%	-
2005A	13,870,000	4.00% - 4.30%	2,550,000
2008	2,975,000	3.50% - 4.125%	1,040,000
2010A	27,445,000	2.68%	27,445,000
2010B	5,640,000	0.70% - 2.40%	4,610,000
2012	9,795,000	1.15% - 2.00%	9,440,000
2014	12,530,000	2.00% - 3.50%	12,280,000
2014E	15,240,000	2.00% - 3.75%	15,240,000
2015	500,000	1.80% - 4.00%	500,000

On May 28, 2015, the District issued \$500,000 in School Building Revenue Bonds, Series 2015 with an interest rate of 1.80% - 4.00%. The net proceeds of \$485,253 (net of \$16,000 cost of issuance and \$1,253 bond premium) were deposited in the Construction Fund.

**CHRISTIAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5 – LONG-TERM OBLIGATIONS, continued

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 Christian 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 entered into “participation agreements” with the School Facilities Construction Commission (SFCC). 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.

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:

Fiscal Year Ending	Christian County School District		School Facilities Construction Commission		U.S. Government Participation
	Principal	Interest	Principal	Interest	Interest
2016	\$ 1,031,222	\$ 2,431,680	\$ 1,033,778	\$ 335,050	\$ 1,475,169
2017	1,036,150	2,402,382	1,003,850	308,052	1,475,169
2018	1,080,423	2,369,621	1,009,577	281,018	1,475,169
2019	1,202,030	2,335,773	982,970	251,727	1,475,169
2020	1,237,070	2,307,745	1,007,930	226,768	1,475,169
2021-2025	10,205,759	10,971,939	4,099,241	826,203	7,375,845
2026-2030	31,842,082	5,188,144	6,422,918	448,450	2,950,335
2031-2035	8,803,462	813,847	1,561,538	138,983	11,317,830
	<u>\$ 56,438,198</u>	<u>\$ 28,821,131</u>	<u>\$ 17,121,802</u>	<u>\$ 2,816,251</u>	<u>\$ 29,019,855</u>

**CHRISTIAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5 – LONG-TERM OBLIGATIONS, continued

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

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Amounts Due within One Year
Bonds payable:					
Revenue bonds	\$ 75,535,000	\$ 500,000	\$ 2,475,000	\$ 73,560,000	\$ 2,065,000
Less premium (discount)	(740,231)	1,253	(62,692)	(676,286)	-
Total bonds payable	<u>74,794,769</u>	<u>501,253</u>	<u>2,412,308</u>	<u>72,883,714</u>	<u>2,065,000</u>
Other liabilities:					
Compensated absences	799,321	139,409	195,464	743,266	277,711
Claims	219,464	-	54,866	164,598	27,433
Total other liabilities	<u>1,018,785</u>	<u>139,409</u>	<u>250,330</u>	<u>907,864</u>	<u>305,144</u>
Total long-term liabilities	<u>\$ 75,813,554</u>	<u>\$ 640,662</u>	<u>\$ 2,662,638</u>	<u>\$ 73,791,578</u>	<u>\$ 2,370,144</u>

NOTE 6 – ACCRUED SICK LEAVE

Upon retirement from the school system, employees will receive from the District an amount equal to 30% of the value of accumulated sick leave. For governmental fund financial statements, the current portion of unpaid accrued sick leave is the amount expected to be funded with current year's economic financial resources. These amounts are recorded in the account "accrued sick leave payable" in the General Fund. Management has estimated that the for governmental activities will be approximately \$743,266 with \$277,711 considered the short-term portion and \$465,555 considered the long-term portion. There is no accrued sick leave liability for the business-type activities.

NOTE 7 – DEFICIT OPERATING FUND BALANCES

There are no funds in the District that currently have a deficit balance. However, 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	\$ 944,275
Construction Fund	14,581,968
SEEK Capital Outlay	214,408
School Food Service	618,515
Day Care	9,686

**CHRISTIAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 8 – FUND BALANCE REPORTING

The following is a summary of designations of Fund Balance at June 30, 2015:

	General Fund	Special Revenue Fund	Other Governmental Funds	Total
Nonspendable:				
Prepays	\$ 189,042	\$ -	\$ -	\$ 189,042
Spendable:				
Restricted				
Sick leave payable	277,711	-	-	277,711
Capital projects	-	-	3,417,187	3,417,187
Debt service	-	-	8,301,252	8,301,252
Technology	-	383,779	-	383,779
District activity funds	-	-	232,159	232,159
Assigned				
Site based carry forward	246,737	-	-	246,737
Purchase obligations	1,196,247	-	-	1,196,247
Committed	-	-	-	-
Unassigned	5,262,920	-	-	5,262,920
	<u>\$ 7,172,657</u>	<u>\$ 383,779</u>	<u>\$ 11,950,598</u>	<u>\$ 19,507,034</u>

NOTE 9 – TRANSFER OF FUNDS

The following transfers were made during the year:

From Fund	To Fund	Purpose	Amount
General	Debt Service	Debt Service	\$ 422,996
General	Special Revenue	KETS	194,725
General	Activity Funds	Activity	127,883
General	Construction	Construction	74,500
Construction	Debt Service	Debt Service	683,741
Non-major Governmental	Construction	Construction	1,056,959
Non-major Governmental	Debt Service	Debt Service	2,952,705
Food Service	General	Indirect Costs	318,596
			<u>\$ 5,832,105</u>

**CHRISTIAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 10 – ON-BEHALF PAYMENTS

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

Health insurance	\$ 9,038,392
Life insurance	16,195
Administrative fee	111,506
Health reimbursement account - HRS/dental/vision	441,788
	9,607,881
Federal reimbursements of health benefits	(879,703)
	8,728,178
Kentucky Teacher's Retirement System	5,794,561
Technology	114,492
SFCC debt service	1,756,519
	\$ 16,393,750

The District is not legally responsible for these contributions. These payments are not required to be budgeted by the District. The total of these payments has been included in revenues and the applicable expenditure functions in these financial statements as follows:

Governmental activities:	
General Fund	\$ 14,195,862
Debit Service Fund	1,756,519
Business-type activities:	
Food Service Fund	336,152
Day Care	105,217
	\$ 16,393,750

NOTE 11 – PENSION PLANS

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

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

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

**CHRISTIAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 11 – PENSION PLANS, continued

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

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

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

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

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

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

**CHRISTIAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 11 – PENSION PLANS, continued

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

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

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

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

Employees who retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2.0% of their final average salary for each year of service if, upon retirement, their total service was less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

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

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

**CHRISTIAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 11 – PENSION PLANS, continued

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

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

Medical Insurance Plan

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

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

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

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

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

**CHRISTIAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 11 – PENSION PLANS, continued

District's proportionate share of the CERS net pension liability	\$	18,408,000
Commonwealth's proportionate share of the KTRS net pension liability associated with the District		245,893,739
	<u>\$</u>	<u>264,301,739</u>

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

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2014, the District's proportion was .554993%.

For the year ended June 30, 2015, the District recognized pension expense of (\$814,739) related to CERS and \$5,794,561 related to KTRS. The District also recognized revenue of \$5,794,561 for KTRS support provided by the Commonwealth. At June 30, 2014, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>County Employees Retirement System (CERS)</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	2,010,000
Changes in proportion and difference between District contributions and proportionate share of contributions	-	-
District contributions subsequent to the measurement date	2,405,155	-
Total	<u>\$ 2,405,155</u>	<u>\$ 2,010,000</u>

**CHRISTIAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 11 – PENSION PLANS, continued

The amount of \$2,255,739 reported as deferred outflows of resources related to CERS pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ 402,000
2017	402,000
2018	402,000
2019	402,000
2020	-

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

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

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

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

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by 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.

**CHRISTIAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 11 – PENSION PLANS, continued

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
U. S. equity	45.0%	6.4%
Non U. S. equity	17.0%	6.5%
Fixed income	24.0%	1.6%
High yield bonds	4.0%	3.1%
Real estate	4.0%	5.8%
Alternatives	4.0%	6.8%
Cash	2.0%	1.5%
Total	<u>100.0%</u>	

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

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

**CHRISTIAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 11 – PENSION PLANS, continued

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	6.75%	7.75%	8.75%
District's proportionate share of net pension liability	\$ 23,694,777	\$ 18,408,000	\$ 12,979,954
KTRS	4.23%	5.23%	6.23%
District's proportionate share of net pension liability	\$ -	\$ -	\$ -

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

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 that 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.

NOTE 12 – CONTINGENCIES AND COMMITMENTS

Grant Programs

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

**CHRISTIAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 12 – CONTINGENCIES AND COMMITMENTS, continued

KSBIT

The District was notified in FY 2014 by the Kentucky School Board Insurance Trust of an estimated liability of \$862,253 liability (District's share) for workers compensation losses incurred by the Trust. In August 2014, the District received an invoice for \$219,464 which is the amount expected to satisfy the claim. The District made a down payment of \$54,866 in August 2014. The District chose to pay the remaining liability of \$164,598 in six annual installments beginning August 15, 2015. The entire unpaid balance of the assessment is due and payable in full on August 15, 2020.

NOTE 13 – INSURANCE AND RELATED ACTIVITIES

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

NOTE 14 – RISK MANAGEMENT AND LITIGATION

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 worker's compensation, errors and omissions and general liability coverage, the District purchases commercial insurance.

The District purchases unemployment insurance through the Kentucky Division of Unemployment Insurance; however, risk has not been transferred. 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.

From time to time, the District is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the District's financial statements.

**CHRISTIAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 15 – COBRA

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

The District has notified all terminated employees of available continuing insurance coverage as mandated by COBRA.

NOTE 16 – INTERFUND RECEIVABLES AND PAYABLES

There was an interfund receivable in the General Fund with an offsetting interfund payable in the District Activity Fund of \$308,914 at June 30, 2015.

NOTE 17 – CHANGE IN ACCOUNTING PRINCIPLE AND RELATED CHANGES TO CERTAIN BEGINNING BALANCES

Effective July 1, 2014, the District was required to adopt Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68). GASB 68 replaced the requirements of GASB 27, *Accounting for Pensions by State and Local Governmental Employers* and GASB 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability to more comprehensively and comparably measure the annual costs of pension benefits. Cost-sharing governmental employers such as the District are required to report a net pension liability, pension expense and pension-related assets and liabilities based on their proportionate share of the collective amounts for all governments in the plan. Refer to the Defined Benefit section of Note 11 for further details.

As a result of implement this statement, the following line items have been added to the Statement of Net Position.

**CHRISTIAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 17 – CHANGE IN ACCOUNTING PRINCIPLE AND RELATED CHANGES TO CERTAIN BEGINNING BALANCES, continued

Item	Government- Wide	School Food Service	Day Care	Total
<u>6/30/2015</u>				
Deferred outflows - pension plan	\$ 2,153,578	\$ 86,875	\$ 15,285	\$ 2,255,738
Deferred inflows - pension plan	1,535,175	61,929	10,896	1,608,000
Net pension liability	17,574,320	708,947	124,733	18,408,000
<u>6/30/2014</u>				
Deferred outflows - pension plan	\$ 2,296,227	\$ 92,630	\$ 16,297	\$ 2,405,154
Deferred inflows - pension plan	1,918,969	77,411	13,620	2,010,000
Net pension liability	20,029,985	808,009	142,161	20,980,155

As this statement is applied retroactively, the financial statement for the year ended June 30, 2014 has been restated to apply the changes noted associated with the net pension liability.

The effect of this change is as follows:

	Government- Wide	School Food Service	Day Care	Total
Net position - June 30, 2014 as originally reported	\$ 47,686,464	\$ 2,074,756	\$ 202,412	\$ 49,963,632
GASB 68 adjustment to record net pension liability as of June 30, 2014	<u>(17,733,757)</u>	<u>(715,379)</u>	<u>(125,864)</u>	<u>(18,575,000)</u>
Net position - June 30, 2014, restated	<u>\$ 29,952,707</u>	<u>\$ 1,359,377</u>	<u>\$ 76,548</u>	<u>\$ 31,388,632</u>
Change in net position - June 30, 2015 as originally reported	\$ 891,434	\$ (649,893)	\$ (15,207)	\$ 226,334
GASB 68 adjustment to record net pension expense for the year ended June 30, 2015 (recorded in employee benefits)	<u>777,840</u>	<u>31,378</u>	<u>5,521</u>	<u>814,739</u>
Change - June 30, 2015, restated	<u>\$ 1,669,274</u>	<u>\$ (618,515)</u>	<u>\$ (9,686)</u>	<u>\$ 1,041,073</u>

**CHRISTIAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 18 – PRIOR PERIOD ADJUSTMENT

A prior period adjustment of \$130,764 was made to adjust beginning fund balances of the General Fund and Special Revenue Fund. General Fund cash and fund balance were reduced by \$130,764 and Special Revenue cash and fund balance were increased by a like amount. There was no net income effect.

NOTE 19 – SUBSEQUENT EVENTS

The District closed three elementary schools at the end of the 2015 school year. Bids have been approved in the amounts of \$103,000, \$62,549 and \$225,100 for the sale of Belmont Elementary, Lacy Elementary and Holiday Elementary, respectively. Sales are still pending.

NOTE 20 – UPCOMING PRONOUNCEMENTS

In February 2015, the Governmental Accounting Standards Board issued GASB Statement No. 72, *Fair Value Measurement and Application*. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The District is currently evaluating the impact this standard will have on the financial statements when adopted during District's 2016 fiscal year.

In June 2015, the GASB issued two new standards addressing accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*, addresses reporting by OPEB plans whereas GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses accounting and reporting by employer governments that provide OPEB benefits to their employees. Along with the currently required statement of fiduciary net position and statement of changes in fiduciary net position, OPEB plans will now be required to include in the financial statement more extensive footnote disclosures and required supplementary information related to the measurement of the OPEB liabilities for which assets have been accumulated. In addition, the District will, after adoption of GASB 75, recognize on the face of the financial statements its net OPEB liability. The District is currently evaluating the impact these standards will have on the financial statements when adopted. GASB 74 is effective for fiscal years beginning after June 15, 2016 whereas GASB 75 is effective one year later.

REQUIRED SUPPLEMENTARY INFORMATION

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

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
From local sources:				
Taxes				
Property	\$ 10,550,000	\$ 10,550,000	\$ 11,151,545	\$ 601,545
Motor vehicle	1,500,000	1,500,000	1,700,787	200,787
Utilities	4,500,000	4,500,000	4,520,771	20,771
Earnings on investments	200,000	200,000	105,565	(94,435)
Other local revenues	1,010,000	1,010,000	987,058	(22,942)
Intergovernmental - state	35,353,066	34,611,061	37,623,426	3,012,365
Intergovernmental - federal	140,000	140,000	337,138	197,138
Total revenues	53,253,066	52,511,061	56,426,290	3,915,229
EXPENDITURES				
Current:				
Instruction	29,313,075	29,284,820	30,332,747	(1,047,927)
Student	3,820,503	3,815,985	4,384,070	(568,085)
Instructional staff	1,520,164	1,503,050	1,464,836	38,214
District administration	1,686,380	1,611,998	1,697,979	(85,981)
School administration	3,361,676	3,365,702	3,993,963	(628,261)
Business	2,969,489	2,969,489	3,043,120	(73,631)
Plant operation and maintenance	8,110,228	8,035,728	7,942,913	92,815
Student transportation	5,338,636	5,339,346	4,188,884	1,150,462
Community service activities	-	-	(111,437)	111,437
Debt service	-	-	-	-
Contingency	3,235,154	2,574,926	-	2,574,926
Total expenditures	59,355,305	58,501,044	56,937,075	1,563,969
Excess (deficit) of revenues over (under) expenditures	(6,102,239)	(5,989,983)	(510,785)	5,479,198
Other financing sources (uses)				
Proceeds from sale of fixed assets	10,000	10,000	68,018	58,018
Operating transfers in	-	-	318,596	318,596
Operating transfers out	(664,348)	(776,604)	(820,104)	(43,500)
Total other financing sources (uses)	(654,348)	(766,604)	(433,490)	333,114
Net change in fund balance	(6,756,587)	(6,756,587)	(944,275)	5,812,312
Fund balance, July 1, 2014	6,756,587	6,756,587	8,247,696	1,491,109
Prior period adjustment	-	-	(130,764)	(130,764)
Fund balance, July 1, 2014, restated	6,756,587	6,756,587	8,116,932	1,360,345
Fund balance, June 30, 2015	\$ -	\$ -	\$ 7,172,657	\$ 7,172,657

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

	<u>Budgeted Amounts</u>			Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
From local sources:				
Other local revenues	\$ 369	\$ 900	\$ 22,881	\$ 21,981
Intergovernmental - state	4,595,015	4,265,489	3,906,633	(358,856)
Intergovernmental - indirect federal	10,480,326	8,386,663	8,124,687	(261,976)
Total revenues	<u>15,075,710</u>	<u>12,653,052</u>	<u>12,054,201</u>	<u>(598,851)</u>
EXPENDITURES				
Current:				
Instruction	13,583,214	11,178,055	10,290,078	887,977
Student	225,276	242,188	253,236	(11,048)
Instructional staff	195,575	199,415	193,984	5,431
Plant operation and maintenance	-	24,750	24,750	-
Student transportation	345,252	299,335	488,963	(189,628)
Community service activities	857,402	847,239	875,705	(28,466)
Total expenditures	<u>15,206,719</u>	<u>12,790,982</u>	<u>12,126,716</u>	<u>664,266</u>
Excess (deficit) of revenues over (under) expenditures	<u>(131,009)</u>	<u>(137,930)</u>	<u>(72,515)</u>	<u>65,415</u>
Other financing sources (uses)				
Operating transfers in	130,671	137,930	194,725	56,795
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>130,671</u>	<u>137,930</u>	<u>194,725</u>	<u>56,795</u>
Net change in fund balance	<u>(338)</u>	<u>-</u>	<u>122,210</u>	<u>122,210</u>
Fund balance, July 1, 2014	-	-	130,805	130,805
Prior period adjustment	<u>-</u>	<u>-</u>	<u>130,764</u>	<u>130,764</u>
Fund balance, July 1, 2014, restated	<u>-</u>	<u>-</u>	<u>261,569</u>	<u>261,569</u>
Fund balance, June 30, 2015	<u>\$ (338)</u>	<u>\$ -</u>	<u>\$ 383,779</u>	<u>\$ 383,779</u>

**CHRISTIAN COUNTY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CONSTRUCTION FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
From local sources:				
Earnings on investments	\$ (10,124)	\$ -	\$ 77,888	\$ 77,888
Intergovernmental - state	-	-	-	-
Total revenues	<u>(10,124)</u>	<u>-</u>	<u>77,888</u>	<u>77,888</u>
EXPENDITURES				
Current:				
Building acquisition and construction	-	-	15,429,745	(15,429,745)
Building improvements	7,457,779	1,631,459	179,082	1,452,377
Total expenditures	<u>7,457,779</u>	<u>1,631,459</u>	<u>15,608,827</u>	<u>(13,977,368)</u>
Excess (deficit) of revenues over (under) expenditures	<u>(7,467,903)</u>	<u>(1,631,459)</u>	<u>(15,530,939)</u>	<u>(13,899,480)</u>
Other financing sources (uses)				
Proceeds from bond sale	-	500,000	501,253	1,253
Operating transfers in	-	1,131,459	1,131,459	-
Operating transfers out	-	-	(683,741)	(683,741)
Total other financing sources (uses)	<u>-</u>	<u>1,631,459</u>	<u>948,971</u>	<u>(683,741)</u>
Net change in fund balance	(7,467,903)	-	(14,581,968)	(14,581,968)
Fund balance, July 1, 2014	-	-	17,968,333	17,968,333
Fund balance, June 30, 2015	<u>\$ (7,467,903)</u>	<u>\$ -</u>	<u>\$ 3,386,365</u>	<u>3,386,365</u>

**CHRISTIAN COUNTY SCHOOL DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015**

NOTE 1 – BUDGETARY INFORMATION

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 accounting method and GAAP 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).

In accordance with state law, the District prepares a general school budget based upon the amount of revenue to be raised by local taxation, including the rate of levy and from estimates of other Local, State, and Federal revenues. The budget contains estimated expenditures for current expenses, debt service, capital outlay, and other necessary expenses. The budget must be approved by the Board.

The District must formally and publicly examine estimated revenues and expenses for the subsequent fiscal year by January 31 of each calendar year.

Additionally, the District must prepare an annual allocation to schools by March 1 of each year for the following fiscal year. This allocation must include the amount for certified and classified staff based on the District's staffing policy and the amount for instructional supplies, materials, travel, and equipment.

Additionally, the District must adopt a tentative working budget for the subsequent fiscal year by May 30 of each year. This budget must contain a 4.54% contingency.

The General Fund FY 15 budget included \$14,195,862 of state payments on behalf of District employees for retirement and health benefits, technology, and debt service.

Finally, the District must adopt a final working budget and submit it to the Kentucky Department of Education by September 30 of the current fiscal year.

The Board has the ability to amend the working budget. The working budget was amended during the year only to reflect changes in SEEK allocations and/or grant funds.

All budget appropriations lapse at year-end.

**CHRISTIAN COUNTY SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
County Employees Retirement System**

	<u>Year Ended June 30, 2015</u>
District's proportion of the net pension liability	0.554993%
District's proportionate share of the net pension liability	\$ 18,408,000
State's proportionate share of the net pension liability associated with the District	-
Total	\$ 18,408,000
District's covered-employee payroll	\$ 12,764,635
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	69.34%
Plan fiduciary net position as a percentage of the total pension liability	66.80%

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

**CHRISTIAN COUNTY SCHOOL DISTRICT
SCHEDULE OF REQUIRED CONTRIBUTIONS
County Employees Retirement System**

	<u>Year Ended June 30, 2015</u>
Contractually required contribution	\$ 2,255,739
Contributions in relation to the contractually required contribution	<u>2,255,739</u>
Contribution deficiency	<u><u>\$ -</u></u>
District's covered-employee payroll	\$ 12,764,635
Contributions as a percentage of covered-employee payroll	17.67%

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

**CHRISTIAN COUNTY SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
Kentucky Teachers' Retirement System**

	<u>Year Ended June 30, 2015</u>
District's proportion of the net pension liability	0%
District's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the District	<u>245,893,739</u>
Total	<u>\$ 245,893,739</u>
District's covered-employee payroll	\$ 37,547,224
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	15.27%
Plan fiduciary net position as a percentage of the total pension liability	45.59%

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

**CHRISTIAN COUNTY SCHOOL DISTRICT
SCHEDULE OF REQUIRED CONTRIBUTIONS
Kentucky Teachers' Retirement System**

	<u>Year Ended June 30, 2015</u>
Contractually required contribution - On behalf payments- KDE	\$ 5,794,561
Contributions in relation to the contractually required contribution	<u>5,794,561</u>
Contribution deficiency	<u><u>\$ -</u></u>
District's covered-employee payroll	\$ 37,547,224
Contributions as a percentage of covered-employee payroll	15.43%

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

**CHRISTIAN COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLANS
FOR THE YEAR ENDED JUNE 30, 2015**

Changes of benefit terms – None.

Changes of assumptions – None.

OTHER SUPPLEMENTARY INFORMATION

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

	<u>SEEK Capital Outlay Fund</u>	<u>Facility Support Program (FSPK) Fund</u>	<u>District Activity Fund</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS AND RESOURCES				
Cash and cash equivalents	\$ 2,970	\$ 27,852	\$ 575,475	\$ 606,297
Total assets and resources	<u>\$ 2,970</u>	<u>\$ 27,852</u>	<u>\$ 575,475</u>	<u>\$ 606,297</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ -	\$ -	\$ 34,402	\$ 34,402
Interfund payable	<u>-</u>	<u>-</u>	<u>308,914</u>	<u>308,914</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>343,316</u>	<u>343,316</u>
Fund Balances				
Restricted	2,970	27,852	232,159	262,981
Assigned	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>2,970</u>	<u>27,852</u>	<u>232,159</u>	<u>262,981</u>
Total liabilities and fund balances	<u>\$ 2,970</u>	<u>\$ 27,852</u>	<u>\$ 575,475</u>	<u>\$ 606,297</u>

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

	SEEK Capital Outlay Fund	Facility Support Program (FSPK) Fund	District Activity Fund	Total Nonmajor Governmental Funds
Revenues:				
From local sources:				
Taxes:				
Property	\$ -	\$ 1,776,264	\$ -	\$ 1,776,264
Earnings on investments	-	2,053	58	2,111
Other local revenues	-	-	462,185	462,185
Intergovernmental - state	811,346	1,262,226	-	2,073,572
Total Revenues	<u>811,346</u>	<u>3,040,543</u>	<u>462,243</u>	<u>4,314,132</u>
Expenditures:				
Instruction	-	-	288,289	288,289
Support Services				
Student	-	-	63,960	63,960
Instructional staff	-	-	5,718	5,718
Debt service	54,866	-	-	54,866
Interest	-	-	-	-
Total Expenditures	<u>54,866</u>	<u>-</u>	<u>357,967</u>	<u>412,833</u>
Excess (Deficit) of Revenues over Expenditures				
Other Financing Sources (Uses):				
Transfers in	-	-	127,883	127,883
Transfers out	(970,888)	(3,038,776)	-	(4,009,664)
Total Other Financing Sources (Uses)	<u>(970,888)</u>	<u>(3,038,776)</u>	<u>127,883</u>	<u>(3,881,781)</u>
Excess (Deficit) of Revenue and Other Financing Sources over Expenditures and Other Financing Uses				
	(214,408)	1,767	232,159	19,518
Fund Balance, July 1, 2014	<u>217,378</u>	<u>26,085</u>	<u>-</u>	<u>243,463</u>
Fund Balance, June 30, 2015	<u>\$ 2,970</u>	<u>\$ 27,852</u>	<u>\$ 232,159</u>	<u>\$ 262,981</u>

CHRISTIAN COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS
SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Cash Balance July 1, 2014	Receipts	Disbursements	Cash Balance June 30, 2015	Accounts Receivable	Accounts Payable	Due to Student Groups June 30, 2015
Belmont Elementary School	\$ 35,021	\$ 10,821	\$ 45,842	\$ -	\$ -	\$ -	\$ -
Christian County High School	148,663	255,551	270,671	133,543	-	-	133,543
Christian County Middle School	49,963	79,056	108,170	20,849	-	-	20,849
Crofton Elementary	2,874	21,291	20,245	3,920	-	-	3,920
Holiday Elementary	11,782	30,742	42,524	-	-	-	-
Hopkinsville High	266,012	375,306	452,230	189,088	-	-	189,088
Hopkinsville Middle	98,703	110,052	166,431	42,324	-	-	42,324
Indian Hills Elementary	21,230	21,601	29,743	13,088	-	-	13,088
Lacy Elementary	13,220	14,701	27,921	-	-	-	-
Martin Luther King Elementary	22,341	31,895	38,575	15,661	-	-	15,661
Millbrooke Elementary	46,912	66,659	87,965	25,606	-	-	25,606
North Drive Middle	19,342	31,295	50,637	-	-	-	-
Pembroke Elementary	29,556	8,645	24,359	13,842	-	-	13,842
Sinking Fork Elementary	31,991	10,728	11,946	30,773	-	-	30,773
South Christian Elementary	33,841	20,630	32,745	21,726	-	-	21,726
Gateway Academy	10,615	9,098	8,222	11,491	-	-	11,491
	<u>\$ 842,066</u>	<u>\$ 1,098,071</u>	<u>\$ 1,418,226</u>	<u>\$ 521,911</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 521,911</u>

**CHRISTIAN COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS
SCHOOL ACTIVITY FUNDS - CHRISTIAN COUNTY HIGH SCHOOL
FOR THE YEAR ENDED JUNE 30, 2015**

	Cash and Cash Equivalents			Cash Balance	Accounts	Accounts	Due to Student
	July 1, 2014	Receipts	Disbursements	June 30, 2015	Receivable	Payable	Funds
							June 30, 2015
General	\$ 4,517	\$ 6,340	\$ 3,592	\$ 7,265	\$ -	\$ -	\$ 7,265
General fee	285	-	-	285	-	-	285
PD CHHS	56	-	56	-	-	-	-
Social Studies	-	24	-	24	-	-	24
Guidance	22,888	906	22,259	1,535	-	-	1,535
General administrative	1,449	-	-	1,449	-	-	1,449
Book rental fees	4,011	6,338	4,031	6,318	-	-	6,318
Teacher of the Year	38	-	38	-	-	-	-
Teachers' concessions	1,356	997	1,025	1,328	-	-	1,328
Athletic - general	1	110,105	97,658	12,448	-	-	12,448
Hall of Fame	395	-	395	-	-	-	-
Activity fee	6,573	19,576	11,708	14,441	-	-	14,441
Academic Team	133	1,043	880	296	-	-	296
Dance Team	3,655	2,333	1,836	4,152	-	-	4,152
Drama Club	1,070	1,665	1,680	1,055	-	-	1,055
FBLA	488	17,249	17,725	12	-	-	12
FCA	118	-	-	118	-	-	118
AG	360	460	580	240	-	-	240
FFA	12,765	38,544	35,512	15,797	-	-	15,797
FCCLA	709	342	219	832	-	-	832
Colonel Graphics	664	-	664	-	-	-	-

**CHRISTIAN COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS
SCHOOL ACTIVITY FUNDS - CHRISTIAN COUNTY HIGH SCHOOL
FOR THE YEAR ENDED JUNE 30, 2015**

	Cash and Cash Equivalents			Cash Balance	Accounts	Accounts	Due to Student
	July 1, 2014	Receipts	Disbursements	June 30, 2015	Receivable	Payable	Funds
							June 30, 2015
Crime Stoppers	209	-	209	-	-	-	-
Key Club	3,807	1,157	1,408	3,556	-	-	3,556
NHS	661	3,286	3,380	567	-	-	567
Octamiss	173	-	173	-	-	-	-
Senior Beta	2,716	1,225	634	3,307	-	-	3,307
Student Council	2,001	3,864	3,410	2,455	-	-	2,455
STLP	127	172	-	299	-	-	299
Band fees	6,825	1,055	4,779	3,101	-	-	3,101
Art	4,655	1,319	4,710	1,264	-	-	1,264
Crockam	88	200	88	200	-	-	200
English	11,826	1,289	5,157	7,958	-	-	7,958
Humanities	2,728	258	1,363	1,623	-	-	1,623
Physical education	526	223	526	223	-	-	223
ESS	286	-	286	-	-	-	-
Science fees	12,522	1,296	5,066	8,752	-	-	8,752
Theatre Arts fees	322	6	200	128	-	-	128
KYA	5,499	-	-	5,499	-	-	5,499
ROTC1	260	200	260	200	-	-	200
Choir	2,579	834	3,236	177	-	-	177
FCS (Home Economics)	2,010	1,533	2,203	1,340	-	-	1,340
Business fees	4,186	447	4,025	608	-	-	608
Math fees	2,120	448	1,000	1,568	-	-	1,568

**CHRISTIAN COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS
SCHOOL ACTIVITY FUNDS - CHRISTIAN COUNTY HIGH SCHOOL
FOR THE YEAR ENDED JUNE 30, 2015**

	Cash and Cash Equivalents			Cash Balance	Accounts	Accounts	Due to Student
	July 1, 2014	Receipts	Disbursements	June 30, 2015	Receivable	Payable	Funds
							June 30, 2015
Cheerleading V & JV	707	6,165	5,772	1,100	-	-	1,100
Yearbook	80	16,375	13,761	2,694	-	-	2,694
World Language Club	473	146	-	619	-	-	619
Library	1,387	-	1,387	-	-	-	-
Prom	11,488	9,413	8,949	11,952	-	-	11,952
Keesee CBI	-	1,025	800	225	-	-	225
Brown CBI	-	1,001	900	101	-	-	101
Keeton CBI	150	1,000	1,000	150	-	-	150
Price CBI	-	1,000	600	400	-	-	400
YSC D. Pyle	6,687	5,081	5,936	5,832	-	-	5,832
Project Graduation	51	-	51	-	-	-	-
Student Health	58	-	58	-	-	-	-
Marie Price Scholars	50	-	-	50	-	-	50
Subtotal	148,788	265,940	281,185	133,543	-	-	133,543
Interfund transfers	-	10,514	10,514	-	-	-	-
Total	<u>\$ 148,788</u>	<u>\$ 255,426</u>	<u>\$ 270,671</u>	<u>\$ 133,543</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 133,543</u>

**CHRISTIAN COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS
SCHOOL ACTIVITY FUNDS - HOPKINSVILLE HIGH SCHOOL
FOR THE YEAR ENDED JUNE 30, 2015**

	Cash and Cash Equivalents			Cash and Cash Equivalents			Accounts Receivable		Accounts Payable		Due to Student Groups
	July 1, 2014	Receipts	Disbursements	June 30, 2015						June 30, 2015	
AYD	\$ 61	\$ -	\$ 61	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
General fee	-	13,010	5,813	7,197	-	-	-	-	-	7,197	
General fund	41,986	27,563	45,498	24,051	-	-	-	-	-	24,051	
Tiger Law Society	284	9,476	9,716	44	-	-	-	-	-	44	
Mock Trial Team	-	1,600	446	1,154	-	-	-	-	-	1,154	
Humanities Club	104	-	104	-	-	-	-	-	-	-	
HHS I-20	250	-	-	250	-	-	-	-	-	250	
Background check	359	130	489	-	-	-	-	-	-	-	
Staff donation fund	498	-	-	498	-	-	-	-	-	498	
Teachers drinks	1,508	3,041	4,086	463	-	-	-	-	-	463	
Athletic Department	82,779	114,924	159,591	38,112	-	-	-	-	-	38,112	
Baseball	1,133	4,495	4,677	951	-	-	-	-	-	951	
Tennis	-	550	347	203	-	-	-	-	-	203	
Boys basketball	4,808	6,539	9,023	2,324	-	-	-	-	-	2,324	
Girls basketball	1,355	4,732	2,148	3,939	-	-	-	-	-	3,939	
Cross Country	-	1,000	378	622	-	-	-	-	-	622	
Football	5,658	35,366	20,271	20,753	-	-	-	-	-	20,753	
Boy's golf	-	1,000	-	1,000	-	-	-	-	-	1,000	
Girl's golf	-	1,000	-	1,000	-	-	-	-	-	1,000	
Soccer	241	2,500	100	2,641	-	-	-	-	-	2,641	
Girls Soccer	1,413	2,500	258	3,655	-	-	-	-	-	3,655	
Softball	2,332	1,171	2,844	659	-	-	-	-	-	659	
Swim Team	859	1,750	881	1,728	-	-	-	-	-	1,728	
Track	6,059	1,992	7,243	808	-	-	-	-	-	808	
Wrestling	683	1,937	-	2,620	-	-	-	-	-	2,620	
Volleyball	587	5,243	2,704	3,126	-	-	-	-	-	3,126	
Cheerleaders	7,394	10,948	16,405	1,937	-	-	-	-	-	1,937	
Dance	400	6,143	6,199	344	-	-	-	-	-	344	
Toyota boys	-	15,785	9,933	5,852	-	-	-	-	-	5,852	
Toyota girls	-	3,805	2,355	1,450	-	-	-	-	-	1,450	

**CHRISTIAN COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS
SCHOOL ACTIVITY FUNDS - HOPKINSVILLE HIGH SCHOOL
FOR THE YEAR ENDED JUNE 30, 2015**

	Cash and Cash Equivalents			Cash and Cash Equivalents			Due to Student Groups
	July 1, 2014	Receipts	Disbursements	June 30, 2015	Accounts Receivable	Accounts Payable	June 30, 2015
Bass fishing	-	950	615	335	-	-	335
Beta Club	1,240	3,185	2,761	1,664	-	-	1,664
Drama Club	1,608	1,382	2,198	792	-	-	792
FBLA	1,452	6,943	6,755	1,640	-	-	1,640
FFA	14,041	20,785	27,228	7,598	-	-	7,598
Spanish Club	521	-	485	36	-	-	36
National Honor Society	3,209	-	800	2,409	-	-	2,409
YSC - Students	1,123	-	493	630	-	-	630
Science Olympiad	241	2,193	1,784	650	-	-	650
Student Council	2,400	2,680	3,485	1,595	-	-	1,595
Art	472	683	1,012	143	-	-	143
Band	5,794	6,641	11,638	797	-	-	797
Marching Band	8,859	15,605	17,711	6,753	-	-	6,753
Band 2015	2,270	-	2,236	34	-	-	34
Business	5,348	1,042	6,165	225	-	-	225
English	5,609	1,672	6,864	417	-	-	417
Health Occupations	90	236	-	326	-	-	326
Family Consumer Science	4,422	1,114	5,223	313	-	-	313
Fashionable Tigers	190	37	-	227	-	-	227
JROTC	3,612	10,294	12,808	1,098	-	-	1,098
Math	2,566	1,990	3,723	833	-	-	833
Science	2,257	2,140	4,018	379	-	-	379
Vocal Music	4,837	980	4,914	903	-	-	903
Student Technology	3,745	1,670	5,415	-	-	-	-
Weightlifting	815	210	995	30	-	-	30
Class of 2016	-	9,775	3,659	6,116	-	-	6,116
Class of 2015	5,347	175	3,032	2,490	-	-	2,490
Class of 2014	986	-	986	-	-	-	-
Class of 2013	326	-	326	-	-	-	-
Class of 2017	-	573	-	573	-	-	573

**CHRISTIAN COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS
SCHOOL ACTIVITY FUNDS - HOPKINSVILLE HIGH SCHOOL
FOR THE YEAR ENDED JUNE 30, 2015**

	Cash and Cash Equivalents			Cash and Cash Equivalents			Due to Student Groups
	July 1, 2014	Receipts	Disbursements	June 30, 2015	Accounts Receivable	Accounts Payable	June 30, 2015
Class of 2018	-	579	-	579	-	-	579
Teacher of the Year	500	-	-	500	-	-	500
Guidance	699	974	934	739	-	-	739
Guidance testing	3,921	20,218	15,528	8,611	-	-	8,611
AP Guides	4,254	1,390	5,256	388	-	-	388
Library	234	-	-	234	-	-	234
Yearbook	1,486	19,125	19,000	1,611	-	-	1,611
FCCLA	953	4,618	4,237	1,334	-	-	1,334
Region 2 FCCLA	602	1,127	995	734	-	-	734
Community Base Grant	-	1,169	1,070	99	-	-	99
CBI 2	198	1,152	1,205	145	-	-	145
Debate & Speech	586	415	921	80	-	-	80
Accounting Club	149	-	-	149	-	-	149
Hclub	285	1,239	911	613	-	-	613
Ink recycling	656	31	-	687	-	-	687
KYA	486	-	-	486	-	-	486
FCA	177	-	-	177	-	-	177
Step Team	301	-	-	301	-	-	301
Tri-M	764	-	613	151	-	-	151
PE/Health	992	1,275	1,200	1,067	-	-	1,067
Art Club	74	106	134	46	-	-	46
JROTC Color Guard	673	150	351	472	-	-	472
Drama Class	1,000	2,676	3,249	427	-	-	427
STLP	-	192	-	192	-	-	192
Scholars fund	871	2,953	2,883	941	-	-	941
Special trip account	2,020	597	679	1,938	-	-	1,938
Subtotal	266,012	431,141	508,065	189,088	-	-	189,088
Interfund transfers		55,835	55,835				
Total	<u>\$ 266,012</u>	<u>\$ 375,306</u>	<u>\$ 452,230</u>	<u>\$ 189,088</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 189,088</u>

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

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U. S. Department of Education			
Passed Through State Department of Education Title I Grants to Local Education Agencies	84.010	310000212 310000213 310000214 310010213 310010214 310020214	\$ 62,439 866,673 2,653,321 2,584 112,270 102,323
			<u> </u> \$ 3,799,610
Special Education-Grants to States	84.027	381000212 381000213 381000214	452 444,450 1,680,324
			<u> </u> 2,125,226
Vocational Education - Basic Grants to States	84.048	462133213 371000213 371000214	1,751 44,568 127,288
			<u> </u> 173,607
Special Education-Preschool Grants	84.173	380000212 380000213	26,240 130,170
			<u> </u> 156,410
Education for Homeless Children and Youth	84.196	399000213 399000214	19,513 33,576
			<u> </u> 53,089
Twenty-First Century Community Learning Centers	84.287	340000212 340000213	66,923 44,374
			<u> </u> 111,297
English Language Acquisition Grants	84.365	330000212 330000213	23,193 13,586
			<u> </u> 36,779
Improving Teacher Quality - State Grants	84.367	323000213 323000214	535,992 135,213
			<u> </u> 671,205
Race to the Top	84.413A	396000211	66,893
Passed through KCTCS: Migrant Education - State Grant Program	84.011	311000212 311000213 311000214	2,679 64,650 73,763
			<u> </u> 141,092
Passed through State Department of Juvenile Justice: Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	313A, 313AT	25,989

See notes to Schedule of Expenditures of Federal Awards

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

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures	
Passed through State Department of Education: (School improvement and grants cluster) School Improvement Grants	84.377	310030212	128,465	
ARRA- School Improvement Grants, Recovery Act	84.388A	410030209	25,544	
Total school improvement and grants cluster				<u>154,009</u>
Total U. S. Department of Education				<u>7,515,206</u>
U. S. Department of Defense				
National Guard Civilian Youth Opportunity:	12.404	504A		122,896
Competitive Grants: Promoting K-12 Student Achievement at Military Connected Schools	12.556	4294		238,289
Passed Through University of Kentucky: Competitive Grants: Promoting K-12 Student Achievement at Military Connected Schools	12.556	6354		<u>114,280</u>
Total U. S. Department of Defense				<u>475,465</u>
U. S. Department of Labor				
Passed through Western Kentucky Area Developmental District WIA Youth Activities	17.259	588A		118,790
Job Training Partnership Act	17.250	3824 382A	10,440 4,786	
Total U. S. Department of Labor				<u>15,226</u> <u>134,016</u>
U. S. Department of Agriculture				
Child Nutrition Cluster- Passed through State Department of Education: National School Lunch	10.555	7750002-14 7750005-15	795,994 2,612,310	3,408,304
School Breakfast Program	10.553	7760005-14 7760005-15	293,767 924,235	1,218,002
Summer Food Service Program for Children	10.559	7740023-14 7690024-14	21,953 4,834	26,787
Non-cash Assistance (Commodities) National School Lunch Program	10.555	Fund 51	254,422	<u>254,422</u>
Total Child Nutrition Cluster				<u>4,907,515</u>
Other U. S. Department of Agriculture Programs -				
Fresh Fruit and Vegetable Program	10.582	7720012-14 7720012-15	13,901 72,952	86,853
Total U. S. Department of Agriculture				<u>4,994,368</u>
Total Expenditures of Federal Awards:				<u>\$ 13,119,055</u>

See notes to Schedule of Expenditures of Federal Awards

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

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Christian County School District (the "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 Office of Management and Budget (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 the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. 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 3 – SUBRECIPIENTS

There were no subrecipients during the fiscal year.

NOTE 4 – COMMODITIES

Nonmonetary assistance is reported in the schedule at the fair market value of the USDA food commodities received and disbursed.

INTERNAL CONTROL AND COMPLIANCE

MICHAEL A. KEM, CPA
SANDRA D. DUGUID, CPA
ANNA B. GENTRY, CPA
WALTER G. CUMMINGS, CPA



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

Kentucky State Committee
for School District Audits
Members of the Board of Education
Christian County School District
Hopkinsville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit 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 Christian County School District (the "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 and have issued our report thereon dated October 30, 2015.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness. (2015-01).

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.

Compliance and Other Matters

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

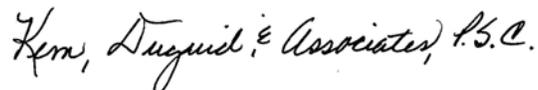
Christian County School District's Response to Findings

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

Purpose of this Report

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

Kem, Duguid & Associates, P.S.C.



Certified Public Accountants
Hopkinsville, Kentucky

October 30, 2015

MICHAEL A. KEM, CPA
SANDRA D. DUGUID, CPA
ANNA B. GENTRY, CPA
WALTER G. CUMMINGS, CPA



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

Kentucky State Committee
for School District Audits
Members of the Board of Education
Christian County School District
Hopkinsville, Kentucky

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit 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 Audits of States, Local Governments and Non-Profit Organizations*; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *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 the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

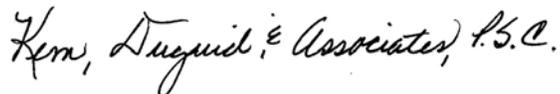
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the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

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

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

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

Kem, Duguid & Associates, P.S.C.



Certified Public Accountants
Hopkinsville, Kentucky

October 30, 2015

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

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified? yes none reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133 yes no

**CHRISTIAN COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

2014-001: Adjustments

Condition: As part of the audit, we proposed material adjustments to the financial statements.

Recommendation: We recommend District management and financial personnel review the procedures and processes involved in recording journal entries and enhance its internal control policies to ensure proper recording of these items.

Current Status: The finding was partially corrected with the exception noted in the current year finding referenced as 2015-001 in the Schedule of Findings and Questioned Costs.

MANAGEMENT COMMENTS FOR AUDIT

MICHAEL A. KEM, CPA
SANDRA D. DUGUID, CPA
ANNA B. GENTRY, CPA
WALTER G. CUMMINGS, CPA



October 30, 2015

Members of the Board of Education
Christian County School District
Hopkinsville, Kentucky

In planning and performing our audit of the financial statements of Christian County School District (the "District") for the year ended June 30, 2015, 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 the 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. A separate report dated October 30, 2015, contains our report on the District's internal control. This letter does not affect our report dated October 30, 2015, on the financial statements of the Christian 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.

We performed a follow up on the prior year findings with the status of these findings on pages 90-102 of this report.

This report is intended solely for the information and use of management, the members of the Christian 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.

Respectfully,

Kem, Duguid & Associates, P.S.C.

Certified Public Accountants
Hopkinsville, Kentucky

**CHRISTIAN COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

SCHOOL ACTIVITY FUNDS

BELMONT ELEMENTARY

- I. **Criteria** – The Redbook states that to initiate a purchase, a purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated. The purchase order is filed with the school treasurer and is classified as an encumbrance until the merchandise is received.

Condition – Form F-SA-7, Purchase Order Form, was dated after the purchase/reimbursement date.

Cause – Oversight

Effect – Noncompliance with the Redbook

Recommendation – All purchases are to be based upon a properly prepared purchase order prior to purchase with signature of person requesting purchase in addition to person approving the purchase.

Management Response – The school will comply with the recommendation

CROFTON ELEMENTARY

- I. **Criteria** – Redbook guidelines for receipts

Condition – Six instances of receipt not agreeing with amount on Form F-SA-6, Multiple Receipt Form.

Cause – Oversight

Effect – Noncompliance with Redbook

Recommendation – The receipts should be matched to Form F-SA-6, Multiple Receipt Form and to the deposit ticket.

Management Response – The school will comply with the recommendation

**CHRISTIAN COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

CROFTON ELEMENTARY, continued

- II. Criteria** – The Redbook states that to initiate a purchase, a purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated. The purchase order is filed with the school treasurer and is classified as an encumbrance until the merchandise is received.

Condition – Form F-SA-7, Purchase Order Form was dated after the purchase/reimbursement date.

Cause – Oversight

Effect – Noncompliance with the Redbook

Recommendation – The purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated.

Management Response – The school will comply with the recommendation

HOLIDAY ELEMENTARY

- I. Criteria** – Donation guidelines per Redbook

Condition – No donation acceptance form, F-SA-18, was completed for \$400 received from the Chamber for the Vet Day Parade.

Cause – Oversight

Effect – Noncompliance with Redbook

Recommendation – Donation Acceptance Form, Form F-SA-18, shall be completed for all donations received by the school.

Management Response – The school will comply with the recommendation

**CHRISTIAN COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

INDIAN HILLS ELEMENTARY

I. Criteria – Receipt guidelines per Redbook

Condition – Form F-SA-6, Multiple Receipt Form, was not signed by all students third grade level and above..

Cause – Oversight

Effect – Noncompliance with Redbook

Recommendation – Per Redbook guidelines, students third grade and above must sign the Multiple Receipt Form

Management Response – The school will comply with the recommendation

LACY ELEMENTARY

I. Criteria – The Redbook states that to initiate a purchase, a purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated. The purchase order is filed with the school treasurer and is classified as an encumbrance until the merchandise is received.

Condition – Form F-SA-7, Purchase Order Form, was dated after the purchase/reimbursement date.

Cause – Oversight

Effect – Noncompliance with the Redbook

Recommendation – The purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated.

Management Response – The school will comply with the recommendation

**CHRISTIAN COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

MILLBROOKE ELEMENTARY

- I. **Criteria** – The Redbook states that to initiate a purchase, a purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated. The purchase order is filed with the school treasurer and is classified as an encumbrance until the merchandise is received.

Condition – Form F-SA-7, Purchase Order Form, was dated after the purchase/reimbursement date.

Cause – Oversight

Effect – Noncompliance with the Redbook

Recommendation – The purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated.

Management Response – The school will comply with the recommendation

- II. **Criteria** – Cash has the highest risk of theft, embezzlement, and misappropriation. Maintenance of strong internal controls over cash is essential in mitigating this risk.

Condition – Deposits in excess of \$100 were not made timely.

Cause – Oversight

Effect – Threat of a loss or theft of cash while it is on the premises.

Recommendation – The Redbook states a deposit shall be made on any day in which at least \$100 is on hand to deposit.

Management Response – The school will comply with the recommendation

**CHRISTIAN COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

SINKING FORK ELEMENTARY

- I. **Criteria** – The Redbook states that to initiate a purchase, a purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated. The purchase order is filed with the school treasurer and is classified as an encumbrance until the merchandise is received.

Condition – Form F-SA-7, Purchase Order Form, was dated after the purchase/reimbursement date.

Cause – Oversight

Effect – Noncompliance with the Redbook

Recommendation – The purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated.

Management Response – The school will comply with the recommendation

SOUTH CHRISTIAN ELEMENTARY

- I. **Criteria** – Cash has the highest risk of theft, embezzlement, and misappropriation. Maintenance of strong internal controls over cash is essential in mitigating this risk.

Condition – Deposits in excess of \$100 were not made timely.

Cause – Oversight

Effect – Threat of a loss or theft of cash while it is on the premises.

Recommendation – The Redbook states a deposit shall be made on any day in which at least \$100 is on hand to deposit.

Management Response – The school will comply with the recommendation

- II. **Criteria** – Expenditure guidelines per Redbook

Condition – Invoice for pizza ordered totaled more than the checks written to the vendor. The remaining balance was paid for in cash by teachers.

Cause – Oversight

Effect – Noncompliance with Redbook

Recommendation – Personal purchases for staff members are disallowed per Redbook.

Management Response – The school will comply with the recommendation

**CHRISTIAN COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

SOUTH CHRISTIAN ELEMENTARY, continued

III. Criteria – Expenditures guidelines per Redbook

Condition – Two checks were not signed.

Cause – Oversight

Effect – Noncompliance with Redbook

Recommendation – All checks shall contain the signatures of the principal's designee and the school treasurer.

Management Response – The school will comply with the recommendation

HOPKINSVILLE MIDDLE SCHOOL

I. Criteria – The Redbook states that to initiate a purchase, a purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated. The purchase order is filed with the school treasurer and is classified as an encumbrance until the merchandise is received.

Condition – Form F-SA-7, Purchase Order Form, was dated after the purchase/reimbursement date.

Cause – Oversight

Effect – Noncompliance with Redbook

Recommendation – The purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated.

Management Response – The school will comply with the recommendation

II. Criteria – Redbook guidelines for purchasing

Condition – An unallowable purchase was made for an office chair.

Cause – Oversight

Effect -- Noncompliance

Recommendation – The Redbook prohibits the purchase of operational items with student activity funds.

Management Response – The school will comply with the recommendation

**CHRISTIAN COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

HOPKINSVILLE MIDDLE SCHOOL, continued

III. Criteria – Redbook guidelines for ticket sales

Condition – Form F-SA-1, Requisition and Report of Ticket Sales, was not properly completed for several events.

Cause – Oversight

Effect – Noncompliance with Redbook

Recommendation – The number of tickets collected is reconciled with the number of tickets sold. The amount of cash collected and the total sales amount are compared to the amount to be deposited. The total amount of cash and checks collected is compared to the number of tickets sold with any cash over/short identified before submitting the form and money to the school treasurer. The person in charge of sales, the ticket taker, and the school treasurer shall sign the Requisition and Report of Ticket Sales (Form F-SA-1).

Management Response – The school will comply with the recommendation

CHRISTIAN COUNTY MIDDLE SCHOOL

I. Criteria – Redbook guidelines for ticket sales

Condition – Form F-SA-1, Requisition and Report of Ticket Sales, was not properly completed for several events.

Cause – Oversight

Effect – Noncompliance with Redbook

Recommendation – The number of tickets collected is reconciled with the number of tickets sold. The amount of cash collected and the total sales amount are compared to the amount to be deposited. The total amount of cash and checks collected is compared to the number of tickets sold with any cash over/short identified before submitting the form and money to the school treasurer. The person in charge of sales, the ticket taker, and the school treasurer shall sign the Requisition and Report of Ticket Sales (Form F-SA-1).

Management Response – The school will comply with the recommendation

**CHRISTIAN COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

SCHOOL ACTIVITY FUNDS

BELMONT ELEMENTARY

- I. **Condition** – Form F-SA-5, Inventory Control Worksheet, was not properly completed for the bookstore and snack sales.

Recommendation – Form F-SA-5, Inventory Control Worksheet, should report beginning and ending inventories, quantities, descriptions, values, units of measure, and unit selling prices for each individual activity involving concessions, vending machines sales, bookstore sales, and any other stocked items held for resale.

Current Status – The finding was not repeated for the fiscal year ended June 30, 2015.

- II. **Condition** – Form F-SA-2A, Fundraiser Approval Form, was not completed for Candy Sales, 100 Mile Club, Box Tops and T-Shirt Sales.

Recommendation – Form F-SA-2A, Fundraiser Approval Form, should be completed for each individual fundraising activity.

Current Status – The finding was not repeated for the fiscal year ended June 30, 2015.

- III. **Condition** – Grant funds were deposited into the school's bank account.

Recommendation – The Redbook requires that no grant monies be deposited through the school activity funds as they must be handled through the Central Office bank account.

Current Status - The finding was not repeated for the fiscal year ended June 30, 2015.

- IV. **Condition** – Deposits in excess of \$100 were not made timely.

Recommendation – The Redbook states a deposit shall be made on any day in which at least \$100 is on hand to deposit.

Current Status – The finding was repeated for the fiscal years ended June 30, 2015 and June 30, 2014.

**CHRISTIAN COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

CROFTON ELEMENTARY SCHOOL

- I. **Condition** – Form F-SA-15A, Annual Financial Report, was not signed and dated timely by the bookkeeper and principal.

Recommendation – The Redbook requires the school treasurer prepare the Annual Financial Report, Form F-SA-15A by July 25.

Current Status – The finding was not repeated for the fiscal year ended June 30, 2015.

- II. **Condition** – Yearbooks were ordered in bulk, however, Form F-SA-5, Inventory Control Worksheet, was not completed.

Recommendation – Form F-SA-5, Inventory Control Worksheet, should report beginning and ending inventories, quantities, descriptions, values, unites of measure, and unit selling prices for each individual activity involving concessions, vending machines sales, bookstore sales, and any other stocked items held for resale.

Current Status – The finding was not repeated for the fiscal year ended June 30, 2015.

- III. **Condition** – Deposits in excess of \$100 were not made timely.

Recommendation – The Redbook states a deposit shall be made on any day in which at least \$100 is on hand to deposit.

Current Status – The finding was not repeated for the fiscal year ended June 30, 2015.

HOLIDAY ELEMENTARY SCHOOL

- I. **Condition** – Unallowable purchases were made for teacher supply bags and ink for printers out of the PTO account. There were no forms F-SA-18, Donation Acceptance Forms on File.

Recommendation –Form F-SA-18, Donation Acceptance Form, shall be completed for all donations received by the school.

Current Status – The finding was not repeated for the fiscal year ended June 30, 2015.

- II. **Condition** – F-SA-2A, Fundraiser Approval for Magazine Sales for the Library Fund, did not contain approval on file with the County Clerk Office.

Recommendation – KRS 367.515 requires magazine sales be approved in writing by the superintendent. The approval letter must be filed with the County Clerk Office as a Miscellaneous Recording.

Current Status – The finding was repeated for the fiscal years ended June 30, 2015 and June 30, 2014.

**CHRISTIAN COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

HOLIDAY ELEMENTARY SCHOOL, continued

- III. Condition** - Form F-SA-2B, Fundraiser Worksheet, was not completed properly.

Recommendation – Fundraisers where items are sold require the use of the Fundraiser Worksheet, which is used to recap the profitability of a fundraiser period or event.

Current Status – The finding was repeated for the fiscal years ended June 30, 2015, June 30, 2014 and June 30, 2013.

INDIAN HILLS ELEMENTARY SCHOOL

- I. Condition** – Yearbooks were ordered in bulk, however, Form F-SA-5, Inventory Control Worksheet, was not completed.

Recommendation – Form F-SA-5, Inventory Control Worksheet, should report beginning and ending inventories, quantities, descriptions, values, unites of measure, and unit selling prices for each individual activity involving concessions, vending machines sales, bookstore sales, and any other stocked items held for resale.

Current Status – The finding was not repeated for the fiscal year ended June 30, 2015.

- II. Condition** – Unallowable purchases were made for professional development travel.

Recommendation – Reimbursements of travel expenses incurred by employees shall be consistent with local board policy.

Current Status – The finding was not repeated for the fiscal year ended June 30, 2015.

LACY ELEMENTARY SCHOOL

- I. Condition** – Forms F-SA-5, Inventory Control Worksheet, for the snack sales were not completed properly.

Recommendation – Form F-SA-5, Inventory Control Worksheet, should report beginning and ending inventories, quantities, descriptions, values, unites of measure, and unit selling prices for each individual activity involving concessions, vending machines sales, bookstore sales, and any other stocked items held for resale.

Current Status – The finding was not repeated for the fiscal year ended June 30, 2015.

**CHRISTIAN COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

LACY ELEMENTARY SCHOOL, continued

- II. Condition** – Unallowable purchases were made from the Comp4Ed Fund and Donations Fund. There were no donation forms on file to verify intended use of funds.

Recommendation – Form F-SA-18, Donation Acceptance Form, shall be completed for all donations received by the school.

Current Status – The finding was not repeated for the fiscal year ended June 30, 2015.

- III. Condition** – Unapproved purchase for ear buds was made from the Donations Fund.

Recommendation – Any purchases that benefit the adult sponsor or district personnel are disallowed expenditures.

Current Status – The finding was not repeated for the fiscal year ended June 30, 2015.

- IV. Condition** – Noted within each deposit was a form created by the school to replace Form F-SA-17, Sales Collection Form, however, this replacement does not have a line for the signature of the school treasurer.

Recommendation – Form F-SA-17, Sales Collection Form, or replacement form shall be signed by the individual preparing the form and by the school treasurer.

Current Status – The finding was not repeated for the fiscal year ended June 30, 2015.

MILLBROOKE ELEMENTARY SCHOOL

- I. Condition** – Lack of segregation of duties in the area of cash disbursements.

Recommendation – Three critical duties should be segregated for internal control purposes: (a) signing checks (b) maintaining fund accounting records and (c) reconciling bank statements.

Current Status – The finding was not repeated for the fiscal year ended June 30, 2015.

- II. Condition** – After adding receivables and accounts payable, the Fundraiser had a negative balance.

Recommendation – Fundraisers where items are sold, whether they are purchased or donated or both, require the use of the Fundraiser Worksheet which is used to recap the profitability of a fundraiser sales cycle. Completing this form properly and timely will allow proper assessment of the fundraiser balance.

Current Status – The finding was not repeated for the fiscal year ended June 30, 2015.

**CHRISTIAN COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

MILLBROOKE ELEMENTARY SCHOOL, continued

- III. Condition** – Forms F-SA-5, Inventory Control Worksheets, were not properly filed out.

Recommendation – Form F-SA-5, Inventory Control Worksheet, should report beginning and ending inventories, quantities, descriptions, values, units of measure, and unit selling prices for each individual activity involving concessions, vending machines sales, bookstore sales, and any other stocked items held for resale.

Current Status – The finding was not repeated for the fiscal year ended June 30, 2015.

- IV. Condition** – Unallowable purchases for light bulbs were made from the General Fund.

Recommendation – The Redbook states that renovation or maintenance items are classified as disallowed expenditures.

Current Status – The finding was not repeated for the fiscal year ended June 30, 2015.

MARTIN LUTHER KING JR ELEMENTARY

- I. Condition** – Lack of segregation of duties in the area of cash disbursements.

Recommendation – Three critical duties should be segregated for internal control purposes: (a) signing checks (b) maintaining fund accounting records and (c) reconciling bank statements.

Current Status – The finding was not repeated for the fiscal year ended June 30, 2015.

- II. Condition** – Form F-SA-15A, Annual Financial Report, was signed and dated by the bookkeeper and principal on July 29.

Recommendation – The Redbook requires the school treasurer prepare the Annual Financial Report, Form F-SA-15A by July 25.

Current Status – The finding was not repeated for the fiscal year ended June 30, 2015.

- III. Condition** – An unallowable purchase was made from the Library Fund to a student for winning the talent show, and an unallowable purchase was made from the General Fund for the purchase of portable radios.

Recommendation – Cash awards are disallowed expenditures per the Redbook. The Redbook prohibits the purchase of operational items with student activity funds.

Current Status – The finding was not repeated for the fiscal year ended June 30, 2015.

**CHRISTIAN COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

PEMBROKE ELEMENTARY

- I. **Condition** – Deposits in excess of \$100 were not made timely.

Recommendation – The Redbook states a deposit shall be made on any day in which at least \$100 is on hand to deposit.

Current Status – The finding was not repeated for the fiscal year ended June 30, 2015.

SINKING FORK ELMENTARY

- I. **Condition** – Lack of segregation of duties in the area of cash disbursements.

Recommendation – Three critical duties should be segregated for internal control purposes: (a) signing checks (b) maintaining fund accounting records and (c) reconciling bank statements.

Current Status – The finding was not repeated for the fiscal year ended June 30, 2015.

- II. **Condition** – Deposits in excess of \$100 were not timely made.

Recommendation – The Redbook states a deposit shall be made on any day in which at least \$100 is on hand to deposit.

Current Status – The finding was repeated for the fiscal years ended June 30, 2015 and June 30, 2014.

NORTH DRIVE MIDDLE

- I. **Condition** – Form F-SA-6, Multiple Receipt Forms, were signed by teachers and not students

Recommendation – According to Redbook guidelines, students third grade and above must sign the Multiple Receipt Form

Status – The finding was not repeated for the fiscal year ended June 30, 2015.

- II. **Condition** – One Form, F-SA-5, Inventory Control Worksheet, for t-shirt fundraiser held via the Boys Basketball was completed for a six month period.

Recommendation – Redbook states that Form, F-SA-5, Inventory Control Worksheet, must be completed monthly.

Status – The finding was not repeated for the fiscal year ended June 30, 2015.

**CHRISTIAN COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NORTH DRIVE MIDDLE, continued

- III. Condition** – Form F-SA-7, Purchase Order Form, was dated after the purchase/reimbursement date.

Recommendation – The purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated.

Status – The finding was not repeated for the fiscal year ended June 30, 2015.

- IV. Condition** – Form F-SA-1, Requisition and Report of Ticket Sales was not prepared for a deposit.

Recommendation – Form F-SA-1, The Requisition and Report of Ticket Sales, is to be used to report and reconcile the number of tickets sold and the funds collected.

Status – The finding was not repeated for the fiscal year ended June 30, 2015.

- V. Condition** – Grant funds were deposited into the school's bank account.

Recommendation – The Redbook requires that no grant monies be deposited through the school activity funds as they must be handled through the Central Office bank account.

Current Status – The finding was not repeated for the fiscal year ended June 30, 2015.

- VI. Condition** – Unallowable purchase for reimbursement of stipend.

Recommendation – Stipends cannot be paid from student activity funds.

Current Status – The finding was not repeated for the fiscal year ended June 30, 2015.

GATEWAY ACADEMY

- I. Condition** – Unallowable purchase of beverages for the advisory lunch meeting.

Recommendation – Items for staff are not to be paid from student activity accounts.

Current Status – The finding was not repeated for the fiscal year ended June 30, 2015.

- II. Condition** – Undocumented awards – There were no signatures of the individuals receiving backpacks.

Recommendation – Students receiving awards shall sign for acknowledgement of the award.

Current Status – The finding was not repeated for the fiscal year ended June 30, 2015.

**CHRISTIAN COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

GATEWAY ACADEMY, continued

- III. Condition** - Form F-SA-2B, Fundraiser Worksheet, was not completed properly.

Recommendation – Fundraisers where items are sold require the use of the Fundraiser Worksheet, which is used to recap the profitability of a fundraiser period or event.

Current Status – The finding was not repeated for the fiscal year ended June 30, 2015.

- IV. Condition** – Form F-SA-5, Inventory Control Worksheet, was not properly completed for the Beef Stick sales.

Recommendation – Form F-SA-5, Inventory Control Worksheet, should report beginning and ending inventories, quantities, descriptions, values, unites of measure, and unit selling prices for each individual activity involving concessions, vending machines sales, bookstore sales, and any other stocked items held for resale.

Current Status – The finding was not repeated for the fiscal year ended June 30, 2015.

CHRISTIAN COUNTY MIDDLE SCHOOL

- I. Condition** – F-SA-6, Multiple Receipt Form – students' signatures were all completed by the same person.

Recommendation – According to Redbook guidelines, students third grade and above must sign the Multiple Receipt Form.

Current Status – The finding was not repeated for the fiscal year ended June 30, 2015.

- II. Condition** – F-SA-5, Inventory Control Worksheet, for the Science Fund gumball fundraiser was not completed monthly.

Recommendation – Redbook states that Form, F-SA-5, Inventory Control Worksheet, must be completed monthly.

Status – The finding was not repeated for the fiscal year ended June 30, 2015.

- III. Condition** – Deposits were made to incorrect activity fund account.

Recommendation – The school treasurer shall record receipts in the appropriate individual activity account ledger.

Status – The finding was not repeated for the fiscal year ended June 30, 2015.

**CHRISTIAN COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

CHRISTIAN COUNTY MIDDLE SCHOOL, continued

- IV. Condition** – Receipts for purchases were dated before the purchase order.

Recommendation – The purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated.

Status – The finding was not repeated for the fiscal year ended June 30, 2015.

- V. Condition** – A reimbursement expense was not paid from Form F-SA-8, Standard Invoice, but instead was only paid from Form F-SA-7, Purchase Order.

Recommendation – Form-SA-8, Standard Invoice, serves as an invoice if one is not provided or is not available to be used as supporting documentation for disbursement. This form must have a confirmation signature of the person receiving the goods or services before the payment can be processed.

Status – The finding was not repeated for the fiscal year ended June 30, 2015.

- VI. Condition** – An unallowable purchase was made from the General Fund for the purchase of repairs on 2 radios.

Recommendation – Purchases of operational items should not be made from student activity funds.

Current Status – The finding was not repeated for the fiscal year ended June 30, 2015.

- VII. Condition** – Sales tax was paid on student Christmas gifts.

Recommendation – Schools are exempt from the payment of sales tax. Employees purchasing items for the school cannot be reimbursed for sales tax.

Current Status – The finding was not repeated for the fiscal year ended June 30, 2015.

HOPKINSVILLE MIDDLE SCHOOL

- I. Condition** – An unallowable purchase was made from the Good Faith Effort account to students for cash prizes for good faith effort and an unallowable purchase was made from the General Fund for the purchase of administrative radio repairs.

Recommendation – Cash awards are disallowed expenditures per the Redbook. The Redbook prohibits the purchase of operational items with student activity funds.

Current Status – The finding was not repeated for the fiscal year ended June 30, 2015.

**CHRISTIAN COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

HOPKINSVILLE MIDDLE SCHOOL, continued

- II. Condition** – Form F-SA-13, Credit Card Sign In/Out, contained 3 pages for the Chase card, however, the form only listed two cards and did not note which card was signed out each time.

Recommendation – Form F-SA-13, Credit Card Sign In/Out, shall be completed according to Redbook guidelines.

Current Status – The finding was not repeated for the fiscal year ended June 30, 2015.

- III. Condition** – Forms F-SA-5, Inventory Control Worksheets, for football concessions were not properly filled out.

Recommendation – Form F-SA-5, Inventory Control Worksheet, should report beginning and ending inventories, quantities, descriptions, values, units of measure, and unit selling prices for each individual activity involving concessions, vending machines sales, bookstore sales, and any other stocked items held for resale.

Current Status – The finding was not repeated for the fiscal year ended June 30, 2015.

- IV. Condition** – Deposits were made to incorrect activity fund account.

Recommendation – The school treasurer shall record receipts in the appropriate individual activity account ledger.

Status – The finding was not repeated for the fiscal year ended June 30, 2015.

- V. Condition** – Deposits were not recorded on Form F-SA-6, Multiple Receipt Form.

Recommendation – Teachers, sponsors, or students shall use the Form F-SA-6, Multiple Receipt Form, when collecting money.

Status – The finding was not repeated for the fiscal year ended June 30, 2015.

CHRISTIAN COUNTY HIGH SCHOOL

- I. Condition** – Negative cash in charitable gaming account.

Recommendation – Bank accounts shall not have a negative balance.

Status – The finding was not repeated for the fiscal year ended June 30, 2015.

**CHRISTIAN COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

CHRISTIAN COUNTY HIGH SCHOOL, continued

- II. Condition** – Unallowable transfer made from the General Fund to Teachers Concession.

Recommendation – Per Redbook, no transfers or reimbursements are allowed from the school activity fund to staff accounts.

Status –The finding was not repeated for the fiscal year ended June 30, 2015.

- III. Condition** – Budgets for several external support/booster organizations were not properly signed by the appropriate individuals.

Recommendation – Budgets should be signed by the Treasurer, President, and Principal.

Status –The finding was not repeated for the fiscal year ended June 30, 2015.

- IV. Condition** – Form F-SA-1, Requisition and Report of Ticket Sales, was not properly completed for several events. Several events reported cash shortages.

Recommendation – The number of tickets collected is reconciled with the number of tickets sold. The amount of cash collected and the total sales amount are compared to the amount to be deposited. The total amount of cash and checks collected is compared to the number of tickets sold with any cash over/short identified before submitting the form and money to the school treasurer.

Status –The finding was repeated for the fiscal years ended June 30, 2015 and June 30, 2014.

- V. Condition** - Form F-SA-2B, Fundraiser Worksheet, was not completed properly.

Recommendation – Fundraisers where items are sold require the use of the Fundraiser Worksheet which is used to recap the profitability of a fundraiser period or event.

Current Status – The finding was not repeated for the fiscal year ended June 30, 2015.

- VI. Condition** – An unallowable purchase was made from the General Fund account for professional development for teachers, and an unallowable purchase was made for cash awards.

Recommendation – Cash awards are disallowed expenditures per the Redbook. Professional development should not be paid from student activity funds.

Current Status – The finding was not repeated for the fiscal year ended June 30, 2015.

**CHRISTIAN COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

CHRISTIAN COUNTY HIGH SCHOOL, continued

VII. Condition – Approximately 20 coaches cards were purchased for individuals who are not head or assistant coaches.

Recommendation – Coaches cards should only be purchased for approved individuals.

Current Status – The finding was not repeated for the fiscal year ended June 30, 2015.

HOPKINSVILLE HIGH SCHOOL

I. Condition – Travel reimbursement was not prepared timely.

Recommendation – The Redbook requires that travel reimbursement be submitted within one week of travel.

Current Status – The finding was not repeated for the fiscal year ended June 30, 2015.

II. Condition – An unallowable purchase was made from the vending account for child care certification, and an unallowable purchase was made from the Student Technology Fund for computer lab ink.

Recommendation – Expenditures paid from activity funds should follow the allowable expenditures per the Redbook.

Current Status – The finding was not repeated for the fiscal year ended June 30, 2015.

III. Condition – Ticket sales were not deposited timely.

Recommendation – The Redbook states a deposit shall be made on any day in which at least \$100 is on hand to deposit.

Current Status – The finding was not repeated for the fiscal year ended June 30, 2015.

IV. Condition – External support/booster organizations did not submit the proper annual reports or budgets.

Recommendation – Each external support/booster organization must submit an annual budget within the first 30 days of the school year or within 30 days of the first transaction of the group. An annual financial report for the fiscal year ending June 30 shall be submitted to the principal by July 1.

Current Status – The finding was not repeated for the fiscal year ended June 30, 2015.

**CHRISTIAN COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

HOPKINSVILLE HIGH SCHOOL, continued

V. Condition – Cash advances were disbursed to students without receipts for money spent.

Recommendation – Cash advances shall be supported by Form F-SA-9, Expense Report, and the completed form, related receipts, other support documents, and unused cash shall be returned by close of the next business day after the trip.

Current Status – The finding was not repeated for the fiscal year ended June 30, 2015.

VI. Condition – Deposits were made to incorrect activity fund account.

Recommendation – The school treasurer shall record receipts in the appropriate individual activity account ledger.

Status – The finding was not repeated for the fiscal year ended June 30, 2015.

VII. Condition – Approximately 14 coaches cards were purchased for individuals who are not head or assistant coaches.

Recommendation – Coaches cards should only be purchased for approved individuals.

Current Status – The finding was not repeated for the fiscal year ended June 30, 2015.

VIII. Condition – F-SA-6 Multiple Receipt Form – students' signatures were all completed by the same person.

Recommendation – According to Redbook guidelines, students third grade and above must sign the Multiple Receipt Form.

Current Status – The finding was not repeated for the fiscal year ended June 30, 2015.