

**REPORT OF THE AUDIT OF THE
CLINTON COUNTY
SCHOOL DISTRICT**

**For The Fiscal Year Ended
June 30, 2015**

ROSS & COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
www.rosscpas.com

**800 Envoy Circle
Louisville, KY 40299
Telephone (502) 499-9088
Facsimile (502) 499-9132**

TABLE OF CONTENTS

	<u>Page Number</u>
Independent Auditor’s Report	1
Management’s Discussion and Analysis	4
Financial Statements	
District-wide Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Fund Financial Statements:	
Balance Sheet - Governmental Funds	10
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	11
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	12
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	13
Statement of Net Position – Proprietary Funds	14
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	15
Statement of Cash Flows – Proprietary Funds	16
Statement of Fiduciary Net Position	17
Statement of Revenues, Expenditures and Changes in Fund Balance – Fiduciary Funds	18
Notes to Financial Statements	19
<u>Required Supplementary Information</u>	
Budgetary Comparisons:	
Budgetary Comparison Schedule - General Fund	38

TABLE OF CONTENTS (CONTINUED)

Budgetary Comparison Schedule - Special Revenue Fund	39
Pension Liability:	40
Kentucky Teachers Retirement Systems	42
County Retirement Systems	
Combining Statements – Non-major Funds:	
Combining Balance Sheet - Non-major Governmental Funds	40
Combining Statement of Revenues, Expenditures and Changes In Fund Balances – Non-major Governmental Funds	41
Activity Funds:	
Clinton County High School Activity Funds - Statement of Receipts, Disbursements and Fund Balance	42
Elementary and Middle Schools Activity Funds – Statement of Receipts, Disbursements and Fund Balance	43
Schedule of Expenditures of Federal Awards	44
Notes to the Schedule of Expenditures of Federal Awards	45
Schedule of Findings and Questioned Costs	46
Schedule of Prior Year Audit Findings	48
Independent Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	49
Independent Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	51
Recommendations and Comments to Management	53

ROSS & COMPANY, PLLC
Certified Public Accountants
800 Envoy Circle
Louisville, KY 40299-1837
Telephone (502) 499-9088
Facsimile (502) 499-9132

Members of the Board
Clinton County School District
Albany, Kentucky

INDEPENDENT AUDITOR'S REPORT

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 Clinton County School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Clinton County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion, analysis and budgetary comparison information, and net pension schedules on pages 4-7 and 37-38, 40-43 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 Clinton County School District's basic primary government financial statements. The combining and individual non-major fund financial statements, and the statement of receipts, disbursements and fund balance- High School Activity Fund 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 required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*, and is also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements, and the statement of receipts, disbursements and fund balance- High School Activity Fund and the schedule of expenditures of federal awards are the responsibility of management and was derived from and relates 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 non-major fund financial statements, and the statement of receipts, disbursements and fund balance- High School Activity Fund and the schedule of expenditures of federal awards is 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 November 12, 2015 on our consideration of Clinton 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 Clinton County School District's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ross & Company", written in a cursive style.

Ross and Company, PLLC
November 12, 2015

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

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

FINANCIAL HIGHLIGHTS

- The beginning and ending cash balance for the District was \$426,154 and \$335,917 respectively in the General Fund and School Food Service.
- A concerted effort was focused on purchasing in all areas.
- The General Fund had \$13,554,361 in receipts, which primarily consisted of the state program (SEEK), property, local occupational license taxes, utilities, and motor vehicle taxes, interest and in-kind payments. Excluding inter-fund transfers, there was \$13,313,215 in General Fund expenditures.
- The District renovates and constructs facilities consistent with a long-range facilities plan that is established with community input and in compliance with Kentucky Department of Education (KDE) regulations.
- The District's total debt increased by \$606,718 during the current fiscal year.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

All changes in Net Position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

CLINTON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS
JUNE 30, 2015
(Continued)

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The state has a mandated uniform system (MUNIS administrative software) and chart of accounts for all Kentucky public school districts. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental or proprietary funds. The District's only proprietary fund is food service operations. All other activities of the district are included in the governmental funds.

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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

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

Net Position for the period ending June 30, 2015

The District implemented GASB 34 in fiscal year 2003 and recorded fixed assets and debt for the first time. The following is a comparison of the District's Net Position for the years ending June 30, 2014, and 2015.

	<u>2014</u>	<u>2015</u>
Current Assets	\$ 619,329	\$ 703,329
Noncurrent Assets	22,357,882	21,551,341
Total Assets	<u>22,977,211</u>	<u>\$22,254,670</u>
Deferred Outflow	105,000	557,419
Total Assets & Deferred Outflow	<u>\$ 23,082,211</u>	<u>\$ 22,812,089</u>
Current Liabilities	\$ 1,360,541	\$ 1,553,005
Long-Term Liabilities	13,566,014	13,242,982
Total Liabilities	<u>14,926,555</u>	<u>14,795,987</u>
Deferred Inflows	<u>509,914</u>	<u>426,119</u>
Total Liabilities & Deferred Inflows	<u>\$ 15,436,469</u>	<u>\$ 15,222,106</u>
Total Net Position	<u><u>\$ 7,645,742</u></u>	<u><u>\$ 7,589,983</u></u>

There has been no significant change in the financial position of the district since the last audit.

CLINTON COUNTY SCHOOL DISTRICT
 MANAGEMENT'S DISCUSSION & ANALYSIS
 JUNE 30, 2015
 (Continued)

Comments on Budget Comparisons

- The general fund's total revenues budgeted for the fiscal year ended June 30, 2015 was \$13,863,285.
- General fund budget compared to actual revenue varied from line item to line item with the ending actual balance being \$151,638 less than budget or approximately 1.09%.

The following table presents a summary of the general fund's receipts and expenses for the fiscal year ended June 30, 2014 and 2015.

	<u>2014</u>	<u>2015</u>
Receipts:		
Local Revenue Sources	2,794,796	2,752,803
State Revenue Sources	10,268,594	10,749,188
Federal Revenue	26,300	52,370
Total Receipts	<u>13,089,690</u>	<u>13,554,361</u>
Expenses:		
Instruction	8,226,003	8,325,050
Student Support Services	557,274	667,596
Instructional Support	206,908	197,060
District Administration	600,855	582,405
School Administration	998,865	1,047,931
Business Support	191,411	201,743
Plant Operations	1,418,875	1,365,542
Student Transportation	949,433	925,888
Community Services	45,455	-
Debt Service	119,075	-
Total Expenses	<u>13,314,154</u>	<u>13,313,215</u>
Receipts in Excess of Expenses	<u>\$ (224,464)</u>	<u>\$ 241,146</u>

General Fund Receipts

The majority of receipts were derived from state funding 79% with locally generated receipts making up 21% of total receipts.

CLINTON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS
JUNE 30, 2015
(Continued)

BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district overall budget. The General Fund beginning cash balance for beginning the fiscal year is \$346,994. Significant Board actions that will impact 2015-2016 finances include a state mandated 2% increase to all cells of salary schedules, employee step increases due to an additional year of experience, additional employer matching benefit expenses, and uncertainty regarding funding.

The Clinton County School District's current and estimated grant notifications are not anticipated to make a year-to-year material impact upon the remaining funds. Award notifications and estimates are fairly in line with budgeted amounts.

Questions regarding this report should be directed to **Superintendent Charlotte Bernard or Mike Reeves, Director of Finance** at (606) 387-6480 or by mail at 2353 N Hwy 127, Albany, KY 42602.

CLINTON COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION

DISTRICT WIDE

As of June 30, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 414,786	\$ (16,326)	\$ 398,460
Other receivables	267,758	17,716	285,474
Inventory	-	19,395	19,395
Total current assets	682,544	20,785	703,329
Non-current Assets			
Land	6,217,854	-	6,217,854
Land Improvements	1,315,043	-	1,315,043
Buildings and improvements	21,789,439	-	21,789,439
Furniture and equipment	5,583,515	608,946	6,192,461
Less: Accumulated depreciation	(13,475,139)	(488,317)	(13,963,456)
Total non-current assets	21,430,712	120,629	21,551,341
Total assets	22,113,256	141,414	22,254,670
Deferred Outflows			
Bond refunding	107,350	-	107,350
Pension outflows	450,069	-	450,069
Total outflows	557,419	-	557,419
Total assets & outflows	\$ 22,670,675	\$ 141,414	\$ 22,812,089
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 152,457	\$ 1,390	\$ 153,847
Deferred revenue	204,274	-	204,274
Other current liabilities	49,690	-	49,690
Interest payable	343,149	-	343,149
Current portion of long-term obligations	770,274	-	770,274
Current portion of sick-leave	31,771	-	31,771
Total current liabilities	1,551,615	1,390	1,553,005
Non-current Liabilities			
Non-current portion of long-term obligation	9,350,791	-	9,350,791
Non-current portion of accrued sick leave	74,749	-	74,749
Net pension liability (CERS)	3,817,442	-	3,817,442
Total non-current liabilities	13,242,982	-	13,242,982
Total liabilities	14,794,597	1,390	14,795,987
Deferred inflows			
Pension inflows	426,119	-	426,119
Total inflows	426,119	-	426,119
Total liabilities & inflows	\$ 15,220,716	\$ 1,390	\$ 15,222,106
NET POSITION			
Invested in capital assets, net of related debt	\$ 11,309,647	\$ 120,629	\$ 11,430,276
Restricted for:			
Capital projects	21,063	-	21,063
Other	31,606	19,395	51,001
Unrestricted	(3,912,357)	-	(3,912,357)
Total net position	7,449,959	140,024	7,589,983
Total liabilities and net position	\$ 22,670,675	\$ 141,414	\$ 22,812,089

See accompanying notes to financial statements.

CLINTON COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
DISTRICT WIDE

For the year ended June 30, 2015

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
Instruction	\$ 12,432,586	\$ -	\$ 2,542,575	\$ -	\$ (9,890,011)	\$ -	\$ (9,890,011)
Support services:							
Student	859,694	-	126,133	-	(733,561)	-	(733,561)
Instruction staff	352,613	-	138,755	-	(213,858)	-	(213,858)
District administrative	372,653	-	-	-	(372,653)	-	(372,653)
School administrative	1,206,301	-	-	-	(1,206,301)	-	(1,206,301)
Business	201,743	-	-	-	(201,743)	-	(201,743)
Plant operation and maintenance	1,561,226	-	26,072	-	(1,535,154)	-	(1,535,154)
Student transportation	1,131,208	-	57,304	-	(1,073,904)	-	(1,073,904)
Facilities acquisition and construction	173,800	-	-	-	(173,800)	-	(173,800)
Community service activities	223,978	-	223,978	-	-	-	-
Other	4,787	-	-	-	(4,787)	-	(4,787)
Interest on long-term debt	348,308	-	-	-	(348,308)	-	(348,308)
Total governmental activities	18,868,897	-	3,114,817	-	(15,754,080)	-	(15,754,080)
Business-type Activities							
Food service	1,313,155	112,430	1,119,205	-	-	(81,520)	(81,520)
Total business-type activities	1,313,155	112,430	1,119,205	-	-	(81,520)	(81,520)
Total school district	\$ 20,182,052	\$ 112,430	\$ 4,234,022	\$ -	\$ (15,754,080)	\$ (81,520)	\$ (15,835,600)

General Revenues

Property taxes	\$ 1,647,483	\$ -	\$ 1,647,483
Delinquent property tax	52,280	-	52,280
Motor vehicle taxes	288,948	-	288,948
Utility taxes	740,030	-	740,030
Other taxes	9,572	-	9,572
Investment earnings	10,331	-	10,331
State aid formula grants	12,732,276	-	12,732,276
Miscellaneous	298,921	-	298,921
Transfers	(49,696)	49,696	-
Total general revenues	15,730,145	49,696	15,779,841
Change in net position	(23,935)	(31,824)	(55,759)
Net position - beginning	11,283,497	171,848	11,455,345
Prior Period Adjustment	(3,809,603)	-	(3,809,603)
Net position - ending	\$ 7,449,959	\$ 140,024	\$ 7,589,983

See accompanying notes to financial statements.

CLINTON COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2015

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
ASSETS				
Cash and cash equivalents	\$ 352,243	\$ (51,522)	\$ 114,065	\$ 414,786
Other receivables	47,332	216,150	4,276	267,758
Total assets	<u>\$ 399,575</u>	<u>\$ 164,628</u>	<u>\$ 118,341</u>	<u>\$ 682,544</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 92,383	\$ 58,526	\$ 1,548	\$ 152,457
Deferred revenue	-	108,544	95,730	204,274
Other current liabilities	49,690	-	-	49,690
Total liabilities	<u>142,073</u>	<u>167,070</u>	<u>97,278</u>	<u>406,421</u>
Fund Balances				
Restricted:				
Future Construction	\$ -	\$ -	\$ 21,063	\$ 21,063
Sick Leave Payable	31,771	-	-	31,771
Assigned:				
Purchase Obligations	(165)	-	-	(165)
Unassigned:	225,896	(2,442)	-	223,454
Total fund balances	<u>257,502</u>	<u>(2,442)</u>	<u>21,063</u>	<u>276,123</u>
Total liabilities and fund balances	<u>\$ 399,575</u>	<u>\$ 164,628</u>	<u>\$ 118,341</u>	<u>\$ 682,544</u>

See accompanying notes to financial statements.

CLINTON COUNTY SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS -
BALANCE SHEET TO THE STATEMENT OF NET POSITION

June 30, 2015

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

Total Fund Balance-Governmental Funds		\$ 276,123
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental:		
Cost of capital	\$ 34,905,851	
Accumulated depreciation	(13,475,139)	
Deferred outflow	557,419	21,988,131
Long-term liabilities including bonds payable are not due and payable in the current period and therefore are not reported as liabilities in the funds:		
Long-term Obligations	(10,121,065)	
KISTA Obligations	-	
Interest payable	(343,149)	
Long-term sick leave	(106,520)	
Net pension liability (CERS)	(3,817,442)	
Deferred inflows	(426,119)	(14,814,295)
Total Net position-Governmental Funds		\$ 7,449,959

See accompanying notes to financial statements.

CLINTON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the year ended June 30, 2015

Revenues	<u>General Fund</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
From local sources					
Property taxes	\$ 1,454,200	\$ -	\$ -	\$ 245,563	1,699,763
Motor vehicle taxes	288,948	-	-	-	288,948
Utilities taxes	740,030	-	-	-	740,030
Other taxes	9,572	-	-	-	9,572
Earnings on investments	10,331	90	-	-	10,421
Other local revenues	249,722	110,767	-	49,199	409,688
State sources					
SEEK	7,553,480	-	-	491,439	8,044,919
On Behalf Payments	3,187,260	-	198,618	-	3,385,878
Other	8,448	1,066,375	-	-	1,074,823
Federal - indirect	52,370	1,937,585	-	-	1,989,955
Other revenues	-	-	-	-	-
Total revenues	<u>13,554,361</u>	<u>3,114,817</u>	<u>198,618</u>	<u>786,201</u>	<u>17,653,997</u>
Expenditures					
Instruction	8,325,050	2,580,739	-	103,070	11,008,859
Support services					
Student	667,596	126,133	-	-	793,729
Instruction staff	197,060	138,755	-	-	335,815
District administration	582,405	-	-	-	582,405
School administration	1,047,931	-	-	-	1,047,931
Business	201,743	-	-	-	201,743
Plant operation and maintenance	1,365,542	26,072	-	-	1,391,614
Student transportation	925,888	57,304	-	-	983,192
Facilities acquisition and construction	-	-	-	173,800	173,800
Community service activities	-	223,978	-	-	223,978
Debt service	-	-	1,131,002	-	1,131,002
Total expenditures	<u>13,313,215</u>	<u>3,152,981</u>	<u>1,131,002</u>	<u>276,870</u>	<u>17,874,068</u>
Excess (deficit) of revenues over expenditures	<u>241,146</u>	<u>(38,164)</u>	<u>(932,384)</u>	<u>509,331</u>	<u>(220,071)</u>
Other Financing Sources (Uses)					
Proceeds from sale of bonds	-	-	-	173,800	173,800
Operating transfers in	109,535	37,022	932,384	53,871	1,132,812
Operating transfers out	(444,206)	(1,300)	-	(737,002)	(1,182,508)
Total other financing sources (uses)	<u>(334,671)</u>	<u>35,722</u>	<u>932,384</u>	<u>(509,331)</u>	<u>124,104</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>(93,525)</u>	<u>(2,442)</u>	<u>-</u>	<u>-</u>	<u>(95,967)</u>
Net change in fund balances	(93,525)	(2,442)	-	-	(95,967)
Fund balance, July 1, 2014	351,027	-	-	21,063	372,090
Fund balance, June 30, 2015	<u>\$ 257,502</u>	<u>\$ (2,442)</u>	<u>\$ -</u>	<u>\$ 21,063</u>	<u>\$ 276,123</u>

See accompanying notes to financial statements.

CLINTON COUNTY PUBLIC SCHOOLS DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES

For the year ended June 30, 2015

Total net change in fund balances- governmental funds	\$	(95,967)
---	----	----------

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

Governmental funds report capital outlays as expenditures because they use current financial resources. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the period.		(790,344)
--	--	-----------

Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position however issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. This is the amount by which bond proceeds exceed principal payments.		609,068
---	--	---------

In the statement of activities, certain operating expenses such as compensated absences (sick leave), are measured by the amount earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year special termination benefits paid exceed the amounts earned.		242,158
---	--	---------

Interest on long-term debt in the statement of activities differs from the amount reported in governmental funds because interest is recorded as an expenditure in the fund when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is the net result of accrued interest on bonds.		(4,961)
--	--	---------

Governmental funds report pension expense in the year paid. However due to measurement date, payments made are reported as deferred outflows in the Statement of Activities. This is the amount by which deferred outflows exceeds pension expense in the period.		<u>16,111</u>
---	--	---------------

Change in Net position - Governmental Funds	\$	<u><u>(23,935)</u></u>
---	----	------------------------

See accompanying notes to financial statements.

CLINTON COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS

As of June 30, 2015

ASSETS	<u>Food Service Fund</u>
Current Assets	
Cash and cash equivalents	\$ (16,326)
Other receivables	17,716
Inventory	<u>19,395</u>
Total current assets	<u>20,785</u>
Noncurrent Assets	
Furniture and equipment	608,946
Less: Accumulated depreciation	<u>(488,317)</u>
Total noncurrent assets	<u>120,629</u>
Total assets	<u><u>\$ 141,414</u></u>
 LIABILITIES	
Current Liabilities	
Accounts payable	<u>\$ 1,390</u>
Total liabilities	<u>1,390</u>
 NET POSITION	
Invested in capital assets, net of related debt	120,629
Restricted for:	
Inventory	<u>19,395</u>
Total net position	<u>140,024</u>
Total liabilities and net position	<u><u>\$ 141,414</u></u>

See accompanying notes to financial statements.

CLINTON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

For the year ended June 30, 2015

	Food Service Fund
Operating Revenues	
Service sales	\$ 112,430
Total operating revenues	112,430
Operating Expenses	
Salaries and wages	579,158
Professional and contract services	17,037
Supplies and materials	687,190
Depreciation	26,574
Other operating expenses	3,196
Total operating expenses	1,313,155
Operating income (loss)	(1,200,725)
Non-operating revenues (expenses)	
Federal grants	1,019,983
State grants	99,222
Total non-operating revenues (expenses)	1,119,205
Transfers In	54,946
Transfers Out	(5,250)
Change in Net Position	(31,824)
Total net position, July 1, 2014	171,848
Total net position, June 30, 2015	\$ 140,024

See accompanying notes to financial statements.

CLINTON COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the year ended June 30, 2015

	<u>Food Service Fund</u>
Cash Flows from Operating Activities	
Cash received from sales	\$ 124,949
Cash payments to employees for services	(579,158)
Cash payments to suppliers for goods and services	(698,544)
Cash payments for other operating activities	(3,196)
Net cash from operating activities	<u>(1,155,949)</u>
 Cash Flows from Capital Financing Activities	
Acquisition of capital assets	-
Net cash from capital financing activities	<u>-</u>
 Cash Flows from Noncapital Financing Activities	
Transfers	49,696
Non-operating grants received	1,119,205
Net cash from noncapital financing activities	<u>1,168,901</u>
Net increase in cash and cash equivalents	12,952
Cash and cash equivalents - beginning (restated)	(29,278)
Cash and cash equivalents - ending	<u>(16,326)</u>
 Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating income (loss)	(1,200,725)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation	26,574
Changes in assets and liabilities:	
Receivables	12,519
Inventory	5,250
Accounts payable	433
Net Cash Provided by Operating Activities	<u>\$ (1,155,949)</u>
 Schedule of Non-Cash Transactions	
Donated commodities	\$ 65,601
On behalf payments	99,222

See accompanying notes to financial statements.

CLINTON COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS

June 30, 2015

ASSETS	<u>Student Activity Funds</u>
Current Assets	
Due from other funds	\$ 152,141
	<hr/>
Total assets	\$ 152,141
	<hr/> <hr/>
LIABILITIES	
Current Liabilities	
Due to school groups	\$ 152,141
	<hr/>
Total net position and liabilities	\$ 152,141
	<hr/> <hr/>

See accompanying notes to financial statements.

CLINTON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE- FIDUCIARY FUNDS

For the year ended June 30, 2015

	Student Activity Funds
Additions	
Revenues from student activities	\$ 727,090
Deduction	
Non-instructional expenses	(732,180)
Change in revenues over expenses	(5,090)
Due to school groups - beginning (restated)	157,231
Due to school groups - ending	\$ 152,141

See accompanying notes to financial statements.

CLINTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Clinton County School District (District) is the basic level of government, which has financial accountability and control over all activities related to the public school education within the jurisdiction of the Clinton County School District. The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. Board members are elected by the public and have decision-making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and have primary financial accountability for fiscal matters. The District is not included in any other governmental "reporting entity" as defined by GASB pronouncements. In accordance with GASB Standard 14, financial transactions of the following component unit are incorporated in the accompanying financial statements.

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

Basis of Presentation

District-wide Financial Statements:

The statement of Net Position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The District-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 program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting

The accounts of the District are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues and expenditures or expenses as appropriate. The various funds are summarized by type in the financial statements. The District uses the following funds:

Governmental Fund Types:

General Fund - The General Fund is the primary operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of grants from local, state and federal revenue sources that are legally restricted to expenditures for specified purposes. Project accounting is employed to maintain integrity for the various sources of funds. Federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report.

Construction Fund – The Construction Fund is used to account for all resources including proceeds from bond sales for the authorized acquisition and construction of capital facilities.

Capital Outlay Fund - The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives \$100 per the District's adjusted average daily attendance restricted for use in financing projects as identified in the District's facility plan.

Building Fund - 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, as applicable. Funds may be used for projects identified in the District's facility plan.

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

Proprietary Fund Type

The District utilizes the proprietary fund type to account for the major funds: Food Service. The 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). No amounts have been recorded for in-kind contribution of USDA commodities on the financial statements, except as required by the Single Audit Act as presented on the Schedule of Expenditures of Federal Awards.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary Fund Type

The School Activity Funds are fiduciary funds used to account for student activity organizations in accordance with the Accounting Procedures for Kentucky School Activity Funds. Financial statements of groups and organizations associated with the school system but not originated within the District (e.g., Band Boosters, Parent-Teacher Associations, etc.) are not included within school activity funds.

Measurement Focus

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

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 that are presented in the fund financial statements use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting.

Exchange and Non-exchange transactions – There are two types of transactions: exchange and non-exchange. The method of determining revenue recognition (i.e., accrual v. modified accrual) depends upon the type of exchange as well as source of revenue. Exchange transactions occur when each party receives essentially equal value. Non-exchange transactions occur when one party receives value without directly giving equal value in return.

Modified Accrual - Revenue from non-exchange transactions (e.g., grants, entitlements and donations) must be available to be recognized. These sources of revenue are recognized in the fiscal year in which all eligibility requirements have been satisfied. Under the modified accrual basis of accounting, revenues from exchange transactions are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For the District, “available” means within sixty days of June 30. Property tax revenue is recognized in the fiscal year for which the taxes are levied. Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. Under the modified basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Accrual - Under the accrual basis of accounting, revenues are recorded when an exchange takes place. Expenses are recognized at the time they are incurred.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Encumbrance Accounting

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Kentucky Law, appropriations lapse at fiscal year end. Encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the proprietary fund type considers highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

Inventories

On the government-wide financial statements inventories are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as expenditures in the governmental fund types when purchased.

The food service fund uses the specific identification method and the general fund uses the first-in, first-out method.

Budget

The District is required by state law to adopt a budget annually. The budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP). Once the District approves the budget, it can be amended. Budget appropriations lapse at year-end.

Fund Balances

The School Board has implemented GASB Statement 54 employing new terminology and classifications for fund balance items.

Non-spendable Fund Balance includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable. The District did not have non-spendable fund balance as of June 30, 2015.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2015, the District had \$21,063 restricted in the Construction Fund for future construction and \$31,771 in General Fund for sick leave.

Committed fund balances are those amounts that can only be used for a specific purpose pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District did not have a committed fund balance as of June 30, 2015.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances (Continued)

Assigned fund balances are those amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrances of funds. Assigned fund balance also include (a) all remaining amounts (except for negative amounts balances) that are reported in governmental funds, other than the general fund, that are not classified as non-spendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

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

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

Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles, (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Pensions

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

NOTE 2. SAFEGUARDING CASH AND CASH EQUIVALENTS

The District's cash and cash equivalents consist of amounts deposited in interest bearing accounts. The depository bank deposits for safekeeping and trust with the District's third party agent approved pledged securities to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

At June 30, 2015, the carrying amount of the District's combined deposits (cash and cash equivalents) excluding school activity funds was \$1,199,446 and the combined bank balances totaled \$1,372,304. The bank balances were covered by the combination of FDIC insurance and collateral held by the District's agent in the District's name at June 30, 2015.

NOTE 2. SAFEGUARDING CASH AND CASH EQUIVALENTS (CONTINUED)

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the county's deposits may not be returned. The District does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). All deposits meet current guidelines.

The cash deposits held at financial institutions can be categorized according to three levels of risk. These three levels of risk are as follows:

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

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

Category 3 Deposits which are not collateralized or insured.

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

Statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. agencies, municipal securities and repurchase agreements. The investment pool and repurchase agreements are considered nonparticipating contracts. The District has a repurchase agreement whereby daily bank deposits sweep to an interest bearing overnight account. Such agreements can be categorized according to three levels of risk. These three levels of risk are:

Category 1 Investments that are insured or collateralized with securities held by the District or by its agent in the District's name.

Category 2 Investments that are collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3 Uninsured and unregistered investments held by the counter party, its trust or its agent, but not in the District's name.

The District's investment in repurchase agreements is classified by risk level as Category 2.

NOTE 3. PROPERTY TAXES

Revenues and other governmental fund financial resource increments (i.e. bond issue proceeds) are recognized in the accounting period in which they become susceptible to accrual; that is, when they become measurable and available to finance expenditures of the fiscal periods. Property taxes collected are recorded as revenues in the fund for which they were levied. The assessment date of the property taxes is January 1 of each year. The levy is normally set during the September board meeting. Assuming property tax bills are timely mailed, collection date is the period from November 1 through December 31. Collections from the period November 1 through November 30 receive a two percent discount. The due date is the period from December 1 through December 31 in which no discount is allowed. Property taxes received subsequent to December 31 are considered to be delinquent and subject to a lien filed by the County Attorney.

NOTE 4. RETIREMENT PLANS

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

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

Plan description—Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute (“KRS”) Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

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

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

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

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

NOTE 4. RETIREMENT 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 that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

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

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

NOTE 4. RETIREMENT 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 and three quarters percent (.75%) from Commonwealth appropriation and two and one quarter percent (2.25%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

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

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

CLINTON COUNTY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015
 (Continued)

NOTE 4. RETIREMENT PLANS (CONTINUED)

District's proportionate share of the CERS net pension liability	\$	3,817,442
Commonwealth's proportionate share of the KTRS net pension liability associated with the District		<u>48,774,338</u>
	<u>\$</u>	<u>52,591,780</u>

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

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2014, the District's proportion was .117663% percent.

For the year ended June 30, 2015, the District recognized pension expense of \$433,958 related to CERS and 2,390,042 related to KTRS. The District also recognized revenue of \$2,390,042 for KTRS support provided by the Commonwealth. At June 30, 2014, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Change of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	426,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
District contribution subsequent to the measurement date	<u>450,069</u>	<u>-</u>
Total	<u>\$ 450,069</u>	<u>\$ 426,000</u>

CLINTON COUNTY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015
 (Continued)

NOTE 4. RETIREMENT PLANS (CONTINUED)

\$450,069 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2016	\$ (85,200)
2017	(85,200)
2018	(85,200)
2019	(85,200)
2020	(85,200)
	<u>\$ (426,000)</u>

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

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

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

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

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

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.

NOTE 4. RETIREMENT PLANS (CONTINUED)

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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	100.00%	

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 after 2035. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

Sensitivity of CERS 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:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Clinton County CERS	\$ 5,022,917	\$ 3,817,442	\$ 2,751,544

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

NOTE 5. LIABILITY FOR COMPENSATED ABSENCES

Certified employees are awarded a maximum of 10 days of sick leave annually, based upon employment contract terms and District policy. Sick leave is accrued without limitation. Upon retirement from the school system, a certified and classified employee receives from the District an amount equal to 30% of the value of accumulated sick leave at the current daily rate of pay. At June 30, 2015, the estimate for those employees over the age of 55 with 5 or more years of service is \$106,520, in which \$31,771 is short term and \$74,749 is long term, both recorded on the District-wide financial statements.

NOTE 6. CAPITAL ASSETS

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

All capital assets are capitalized at cost or estimated historical cost and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000, excluding technology which has no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

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

<u>Description</u>	<u>Estimated Life in Years</u>
Buildings and Improvements	40
Land Improvements	20
Technology Equipment	5
Vehicles	5-14
Food Service Equipment	7
Furniture and Fixtures	7
Other	10

Intentionally left blank.

CLINTON COUNTY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015
 (Continued)

NOTE 6. CAPITAL ASSETS (CONTINUED)

	<u>June 30, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2015</u>
Governmental Assets				
Cost				
Land	\$ 6,217,854	\$ -	\$ -	\$ 6,217,854
Land Improvements	1,308,187	6,856	-	1,315,043
Buildings & Improvements	21,789,439	-	-	21,789,439
Technology Equipment	1,638,381	88,173	(21,013)	1,705,541
Other	1,134,912	193,946	-	1,328,858
Vehicles	2,549,116	-	-	2,549,116
Totals at historical cost	<u>34,637,889</u>	<u>288,975</u>	<u>(21,013)</u>	<u>34,905,851</u>
Less: Accumulated Depreciation				
Land Improvements	1,046,633	54,961	-	1,101,594
Buildings & Improvements	6,110,878	410,246	-	6,521,124
Technology Equipment	1,680,307	147,336	(21,013)	1,806,630
Other	1,617,603	316,326	-	1,933,929
Vehicles	1,961,412	150,450	-	2,111,862
Total accumulated depreciation	<u>12,416,833</u>	<u>1,079,319</u>	<u>(21,013)</u>	<u>13,475,139</u>
NET	<u>\$ 22,221,056</u>	<u>\$ (790,344)</u>	<u>\$ -</u>	<u>\$ 21,430,712</u>
Business Assets				
Cost				
Technology Equipment	\$ 1,236	\$ -	\$ -	\$ 1,236
General Equipment	614,035	-	(6,325)	607,710
Totals at historical cost	<u>615,271</u>	<u>-</u>	<u>(6,325)</u>	<u>608,946</u>
Less: Accumulated Depreciation				
Technology Equipment	1,236	247	-	1,483
General Equipment	466,833	26,326	(6,325)	486,834
Total accumulated depreciation	<u>468,069</u>	<u>26,573</u>	<u>(6,325)</u>	<u>488,317</u>
NET	<u>\$ 147,202</u>	<u>\$ (26,573)</u>	<u>\$ -</u>	<u>\$ 120,629</u>

CLINTON COUNTY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015
 (Continued)

NOTE 7. GENERAL LONG-TERM DEBT AND LEASE OBLIGATIONS

The District is required to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Clinton County School District Finance Corporation to construct school facilities. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund in accordance with state law.

The maturity date, original amounts of the issue and interest rates are summarized below:

<u>Bond Issue</u>	<u>Original Amount</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	2014			2015
				<u>Outstanding Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding Balance</u>
Issue of 2005	1,360,000	4/1/2020	3.00-4.20%	630,000	-	95,000	535,000
Issue of 2005R	1,860,000	2/1/2016	2.80-3.60%	645,000	-	315,000	330,000
Issue of 2005RE	140,000	10/1/2015	2.90-4.10%	95,000	-	45,000	50,000
Issue of 2006A	935,000	8/1/2017	3.50-3.75%	785,000	-	25,000	760,000
Issue of 2007	4,440,000	7/1/2027	4.20%	4,325,000	-	25,000	4,300,000
Issue of 2013	1,505,000	10/1/2025	1.00-2.00%	1,400,000	-	55,000	1,345,000
Issue of 2014	2,070,000	8/1/2030	1.10-3.20%	2,070,000	-	65,000	2,005,000
TOTAL				\$ 9,950,000	\$ -	\$ 625,000	\$ 9,325,000

The District has entered into “participation agreements” with the School Facilities Commission. The Kentucky General Assembly created the Commission for the purposes of assisting local school districts in meeting school construction needs. The table on page 34 sets forth the amount to be paid by the District and the Commission for each year until maturity of all bonds issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding. The District is liable for all issues; however, School Facilities Construction Commission participates by contributing those portions of debt that are appropriated in the State’s biennial budget.

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 amount to be paid by the Commission, at June 30, 2015, for debt service (principal and interest) are shown on the following page.

CLINTON COUNTY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015
 (Continued)

NOTE 7. GENERAL LONG-TERM DEBT AND LEASE OBLIGATIONS (CONTINUED)

**CLINTON COUNTY SCHOOLS
 SCHEDULE OF DEBT PAYMENTS
 AS OF JUNE 30, 2015**

YEAR	CLINTON COUNTY SCHOOL DISTRICT		SCHOOL FACILITIES CONSTRUCTION		TOTAL
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
2016	467,014	279,283	157,986	40,630	944,913
2017	487,529	256,449	142,471	37,174	923,623
2018	504,493	238,249	140,507	34,722	917,971
2019	522,491	220,831	132,509	32,484	908,315
2020	539,657	202,790	100,343	30,508	873,298
2021	437,364	182,651	102,636	28,214	750,865
2022	449,546	166,573	105,454	25,361	746,934
2023	466,577	149,699	108,423	22,427	747,126
2024	488,464	131,927	111,536	19,314	751,241
2025	505,135	113,255	114,865	15,985	749,240
2026	524,762	93,845	110,238	12,565	741,410
2027	553,397	72,377	86,603	9,383	721,760
2028	574,491	48,762	80,509	6,554	710,316
2029	375,675	30,701	59,325	4,259	469,960
2030	373,746	18,711	61,254	2,329	456,040
2031	397,833	6,365	42,167	675	447,040
TOTAL	\$ 7,668,174	\$ 2,212,468	\$ 1,656,826	\$ 322,584	\$11,860,052

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

<u>KISTA Issue</u>	<u>Original Amount</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>Outstanding Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding Balance</u>
2005 Kista	125,070	3/1/2015	3.000-3.625%	11,968	-	11,968	-
2006 Kista	207,007	3/1/2016	3.30-4.00%	39,358	-	19,293	20,065
2006B Kista	295,271	3/1/2017	3.500-3.875%	91,189	-	32,957	58,232
2009 Kista	169,242	3/1/2019	2.00-3.90%	84,528	-	17,105	67,423
2009C Kista	174,690	3/1/2020	2.00-3.60%	104,166	-	17,137	87,029
2011 Kista	175,819	3/1/2021	1.00-4.00%	120,847	-	16,942	103,905
2012 Kista	198,172	3/1/2022	2.000-2.625%	154,303	-	18,736	135,567
2013 Kista	192,528	3/1/2023	2.00%	171,424	-	21,445	149,979
2014 Kista	181,000	6/1/3034	3.0-3.5%	-	181,000	7,135	173,865
TOTAL				\$ 777,783	\$ 181,000	\$ 162,718	\$ 796,065

CLINTON COUNTY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015
 (Continued)

NOTE 7. GENERAL LONG-TERM DEBT AND LEASE OBLIGATIONS (CONTINUED)

The following is a schedule by years of the future minimum lease payments under capital lease together with the present value of the net minimum lease payments as of June 30, 2015:

YEAR	CLINTON COUNTY SCHOOL DISTRICT		TOTALS
	PRINCIPAL	INTEREST	
2016	145,274	23,236	168,510
2017	128,697	18,888	147,585
2018	98,361	15,103	113,464
2019	98,247	12,367	110,614
2020	80,847	9,519	90,366
2021	62,385	7,227	69,612
2022	43,546	5,483	49,029
2023	25,854	4,416	30,270
2024	8,691	3,815	12,506
2025	8,952	3,554	12,506
2026	9,221	3,286	12,507
2027	9,520	2,986	12,506
2028	9,830	2,676	12,506
2029	10,174	2,332	12,506
2030	10,530	1,976	12,506
2031	10,898	1,608	12,506
2032	11,280	1,226	12,506
2033	11,675	832	12,507
2034	12,083	423	12,506
TOTAL	\$ 796,065	\$ 120,953	\$ 917,018

NOTE 8. OPERATING FUND TRANSFERS

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Matching	General Fund	Special Revenue	KETS offer of Assistance	37,022
Operating	General Fund	Food Service	Cover deficit	54,946
Operating	General Fund	Debt Service	KISTA Payments	298,367
Operating	Special Revenue	General	Indirect cost transfer	1,300
Operating	Capital Outlay	General	Capital Funds Request	102,984
Operating	Capital Outlay	Debt Service	Bond Payments	52,338
Operating	Building Fund	Debt Service	Bond Payments	581,680
Operating	General Fund	District Activity	Transfer Local Grants	53,871
Operating	Food Service	General Fund	Repay deficit	5,250
			Total Transfers	\$ 1,187,758

NOTE 9. DEFICIT OPERATING BALANCES

There are no funds of the District that currently have a deficit fund balance/net position. The following funds have operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of fund balance/net position:

General Fund	(\$93,525)
Special Revenue	(\$2,442)
Food Service	(\$31,824)

NOTE 10. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance program for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The district pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis. The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the district continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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

NOTE 11. COMMITMENTS AND CONTINGENCIES

Litigation

The Board of Education is the defendant in a number of lawsuits arising principally in the normal course of operations and from alleged acts committed by individual(s) employed by the district and management. The Board is covered by insurance against this type of liability. At this time, the administration is unable to make an evaluation regarding the likelihood of an unfavorable outcome or any possible financial implication to the Board of Education.

NOTE 11. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Grant Programs

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2015 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements.

NOTE 12. BUDGETARY DISCLOSURE REQUIREMENTS

Budgetary comparisons for the General Fund and Special Revenue Fund are disclosed as required supplementary information. “On behalf” contributions made by the Commonwealth of Kentucky were recorded in the District’s records as revenues and expenditures. The purpose of the policy change was to conform to requirements of the GASB 34 reporting model. The District’s budget appropriations now reflects this change in policy.

NOTE 13. ON-BEHALF PAYMENTS

The District receives on-behalf payments from the State of Kentucky for items including retirement and insurance. The amount received for the fiscal year ended June 30, 2015 was \$3,485,100. These payments were recorded as follows:

General Fund	\$	3,187,260
Debt Service		198,617
Food Service		99,222
Total	\$	<u>3,485,100</u>

NOTE 14. 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.

GASB 68 required retrospective application. Since the District only presents one year of financial information, the beginning net pension was adjusted to reflect the retrospective application. The adjustment resulted in a \$3,809,603 reduction in beginning net position on the Statement of Activities and an increase of \$509,914 of deferred outflows of resources – District contributions subsequent to the measurement date.

CLINTON COUNTY SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE

For the year ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)	Variance % Favorable (Unfavorable)
REVENUES					
From local sources					
Taxes					
Property taxes	\$ 1,475,000	\$ 1,475,000	\$ 1,454,200	\$ (20,800)	-1.41%
Motor vehicle taxes	285,000	285,000	288,948	3,948	1.39%
Utility taxes	710,000	710,000	740,030	30,030	4.23%
Other taxes	15,000	15,000	9,572	(5,428)	-36.19%
Earnings on investments	15,000	15,000	10,331	(4,669)	-31.13%
Other local revenues	443,014	443,014	249,722	(193,292)	-43.63%
State Sources					
SEEK	7,650,000	7,650,000	7,553,480	(96,520)	-1.26%
On Behalf	2,891,650	2,891,650	3,187,260	295,610	10.22%
Other	10,000	10,000	8,448	(1,552)	-15.52%
Federal-Indirect	25,000	25,000	52,370	27,370	109.48%
Inter-fund transfers	46,300	46,300	109,535	63,235	136.58%
Beginning Balance	297,321	297,321	351,027	53,706	18.06%
TOTAL REVENUES	13,863,285	13,863,285	14,014,923	151,638	1.09%
EXPENDITURES					
Instructional	8,182,467	8,182,467	8,325,050	(142,583)	-1.74%
Student services					
Student	642,921	642,921	667,596	(24,675)	-3.84%
Instructional staff	196,791	196,791	197,060	(269)	-0.14%
District administrative	912,786	912,786	582,405	330,381	36.19%
School administrative	1,010,618	1,010,618	1,047,931	(37,313)	-3.69%
Business	204,809	204,809	201,743	3,066	1.50%
Plant operation and maintenance	1,443,423	1,443,423	1,365,542	77,881	5.40%
Student transportation	941,103	941,103	925,888	15,215	1.62%
Inter-fund transfers	328,367	328,367	444,206	(115,839)	-35.28%
TOTAL EXPENDITURES	13,863,285	13,863,285	13,757,421	105,864	0.76%
Excess (Deficit) of Revenues Over Expenditures	\$ -	\$ -	\$ 257,502	\$ 257,502	1.86%

NOTE: BUDGET INFORMATION IS DERIVED FROM THE DISTRICT'S ANNUAL FINANCIAL REPORT, WHICH MAY VARY FROM THE BASIC FINANCIAL STATEMENTS. THE VARIATIONS ARE PRIMARILY DUE TO PRESENTATION OF OTHER FINANCING SOURCES (USES) OF FUNDS AND TRANSFERS.

CLINTON COUNTY SCHOOL DISTRICT
SPECIAL FUND
BUDGETARY COMPARISON SCHEDULE

For the year ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)	Variance % Favorable (Unfavorable)
REVENUES					
From local sources					
Earnings on investments	\$ -	\$ -	\$ 90	\$ 90	100.00%
Other local revenues	178,761	178,761	110,767	(67,994)	-38.04%
Intergovernmental - state	1,131,235	1,131,235	1,066,375	(64,860)	-5.73%
Intergovernmental - Federal	1,891,333	1,891,333	1,937,585	46,252	2.45%
Inter-fund transfers	30,000	30,000	37,022	7,022	23.41%
TOTAL REVENUES	<u>3,231,329</u>	<u>3,231,329</u>	<u>3,151,839</u>	<u>(79,490)</u>	<u>-2.46%</u>
EXPENDITURES					
Instructional	2,610,359	2,610,359	2,580,739	29,620	1.13%
Student services:					
Student	124,619	124,619	126,133	(1,514)	-1.21%
Instructional staff	129,362	129,362	138,755	(9,393)	-7.26%
District administration	8,200	8,200	-	8,200	100.00%
Plant operation and maintenance	70,372	70,372	26,072	44,300	62.95%
Student transportation	63,139	63,139	57,304	5,835	9.24%
Community services	223,978	223,978	223,978	-	0.00%
Inter-fund transfers	1,300	1,300	1,300	-	0.00%
TOTAL EXPENDITURES	<u>3,231,329</u>	<u>3,231,329</u>	<u>3,154,281</u>	<u>77,048</u>	<u>2.38%</u>
Excess (Deficit) of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,442)</u>	<u>\$ (2,442)</u>	<u>-0.08%</u>

NOTE: BUDGET INFORMATION IS DERIVED FROM THE DISTRICT'S ANNUAL FINANCIAL REPORT, WHICH MAY VARY FROM THE BASIC FINANCIAL STATEMENTS. THE VARIATIONS ARE PRIMARILY DUE TO PRESENTATION OF OTHER FINANCING SOURCES (USES) OF FUNDS AND TRANSFERS.

**SCHEDULE OF CLINTON COUNTY DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
Kentucky Teachers Retirement Systems
Last 10 Fiscal Years*
(Dollar amounts in thousands)**

	2014
District's proportion of the net pension liability (asset)	0.000%
District's proportionate share of the net pension liability (asset)	\$ -
State's proportionate share of the net pension liability (asset) associated with the District	48,774
Total	\$ 48,774
District's covered-employee payroll	\$ 7,518
District's proportionate share of the net pension liability (asset as a percentage of its covered-employee payroll)	0.00%
Plan fiduciary net position as a percentage of the total pension liability	45.59%

* The amounts presented for each fiscal year were determined as of June 30.
Schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.

**SCHEDULE OF CLINTON COUNTY DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY**

Kentucky Teachers Retirement Systems

Last 10 Fiscal Years*

(Dollar amounts in thousands)

	<u>2014</u>
Contractually required contributions	313
Contributions in relation to the	
Contractually required contribution	<u>(313)</u>
Contribution deficiency (excess)	<u>\$ -</u>
 District's covered-employee payroll	 \$ 7,518
 Contributions as a percentage of covered- employee payroll	 4.16%

* The amounts presented for each fiscal year were determined as of June 30.
Schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.

**SCHEDULE OF CLINTON COUNTY DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY**

County Retirement Systems

Last 10 Fiscal Years*

(Dollar amounts in thousands)

	<u>2014</u>
District's proportion of the net pension liability (asset)	0.118%
District's proportionate share of the net pension liability (asset)	\$ 3,817
State's proportionate share of the net pension liability (asset) associated with the District	-
Total	<u><u>\$ 3,817</u></u>
 District's covered-employee payroll	 \$ 3,112
District's proportionate share of the net pension liability (asset as a percentage of its covered-employee payroll	122.67%
Plan fiduciary net position as a percentage of the total pension liability	66.80%

* The amounts presented for each fiscal year were determined as of June 30.
Schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.

**SCHEDULE OF CLINTON COUNTY DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
County Retirement Systems
Last 10 Fiscal Years*
(Dollar amounts in thousands)**

	2014
Contractually required contributions	450
Contributions in relation to the Contractually required contribution	(450)
Contribution deficiency (excess)	\$ -
 District's covered-employee payroll	 \$ 3,112
 Contributions as a percentage of covered- employee payroll	 14.46%

* The amounts presented for each fiscal year were determined as of June 30.
Schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.

CLINTON COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS

As of June 30, 2015

	<u>District Activity Funds</u>	<u>Construction Fund</u>	<u>Total Non-Major Funds</u>
ASSETS			
Cash and cash equivalents	\$ 93,002	\$ 21,063	\$ 114,065
Other receivables	4,276	-	4,276
Total assets	<u>\$ 97,278</u>	<u>\$ 21,063</u>	<u>\$ 118,341</u>
 LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 1,548	\$ -	\$ 1,548
Deferred revenue	95,730	-	95,730
Total liabilities	<u>97,278</u>	<u>-</u>	<u>97,278</u>
 Fund Balances			
Restricted:			
Future Construction	\$ -	\$ 21,063	\$ 21,063
Total fund balances	<u>\$ -</u>	<u>\$ 21,063</u>	<u>\$ 21,063</u>

CLINTON COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS

For the year ended June 30, 2015

Revenues	District Activity Funds	Building Fund	Capital Outlay Fund	Construction Fund	Total Non-major Govt. Funds
From local sources					
Property taxes	\$ -	\$ 245,563	\$ -	\$ -	\$ 245,563
Other local revenues	49,199	-	-	-	49,199
State sources					
SEEK	-	336,117	155,322	-	491,439
Total revenues	<u>49,199</u>	<u>581,680</u>	<u>155,322</u>	<u>-</u>	<u>786,201</u>
Expenditures					
Instruction	103,070	-	-	-	103,070
Facilities acquisition and construction	-	-	-	173,800	173,800
Total expenditures	<u>103,070</u>	<u>-</u>	<u>-</u>	<u>173,800</u>	<u>276,870</u>
Excess (deficit) of revenues over expenditures	<u>(53,871)</u>	<u>581,680</u>	<u>155,322</u>	<u>(173,800)</u>	<u>509,331</u>
Other Financing Sources (Uses)					
Proceeds from sale of bonds	-	-	-	173,800	173,800
Operating transfers in	53,871	-	-	-	53,871
Operating transfers out	-	(581,680)	(155,322)	-	(737,002)
Total other financing sources (uses)	<u>53,871</u>	<u>(581,680)</u>	<u>(155,322)</u>	<u>173,800</u>	<u>(509,331)</u>
Net change in fund balances	-	-	-	-	-
Fund balance, July 1, 2014	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,063</u>	<u>21,063</u>
Fund balance, June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,063</u>	<u>\$ 21,063</u>

CLINTON COUNTY SCHOOL DISTRICT
CLINTON COUNTY HIGH SCHOOL ACTIVITY FUND
ALL FUNDS COMBINED
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
For the year ended June 30, 2015

Individual Funds	Fund Balance June 30, 2014	Receipts	Disburse- ments	Transfers In/ (Out)	Fund Balance June 30, 2015
100 General	\$ 908	\$ 27,845	\$ (26,641)	\$ 5,899	\$ 8,011
101 Beverages	-	284	-	(284)	-
102 Soft Drink Machines	-	3,412	(1,550)	-	1,862
105 Break Concessions	-	6,693	(4,175)	176	2,694
110 School Day Pictures	52	6,961	(4,058)	-	2,955
115 Student Parking Permits	1,259	490	-	-	1,749
120 Student Lockers	1,089	1,647	(1,505)	-	1,231
125 Textbooks	888	75	-	-	963
130 Media	2,891	4,875	(2,941)	-	4,825
135 Library	188	13	-	-	201
150 Faculty	333	1,731	(1,837)	-	227
175 Reserved Seating	-	4,050	(4,050)	-	-
180 Bulldog Banking	11	-	-	-	11
195 Interest Account	843	691	-	-	1,534
200 Athletic Fund	-	13,675	(22,554)	9,012	133
205 Athletic Concessions	-	38,657	(23,332)	(9,549)	5,776
210 Football	227	21,419	(20,928)	(296)	422
215 Volleyball	27	6,280	(3,965)	(27)	2,315
220 Boys Soccer	-	1,227	(2,389)	1,162	-
225 Girls Soccer	-	1,723	(2,209)	486	-
230 Boys Golf	-	425	(1,715)	1,290	-
235 Girls Golf	-	150	(1,509)	1,359	-
240 Cross Country	1,716	783	(3,007)	508	-
245 Archery	48	854	(1,300)	398	-
250 Boys Basketball	4,252	30,290	(33,367)	711	1,886
255 Girls Basketball	3,370	27,974	(32,680)	1,336	-
257 Girls BKB 2014 FL Trip	1,985	-	(600)	-	1,385
260 Baseball	2,681	10,598	(10,718)	(104)	2,457
265 Softball	880	4,094	(3,692)	(133)	1,149
270 Tennis	771	10	(398)	(34)	349
280 Cheerleaders	-	15,824	(15,389)	100	535
295 Athletic Tournaments	-	4,315	(2,970)	(1,345)	-
300 FFA	892	23,715	(21,491)	(1,845)	1,271
305 FCCLA	855	1,838	(2,053)	(11)	629
310 JROTC	164	5,581	(7,462)	1,785	68
315 Art Fund	300	230	-	-	530
320 Biology Fund	1,260	777	(2,037)	-	-
325 Chemistry Fund	362	474	(836)	-	-
330 Best Buddies Club	367	1,193	(409)	-	1,151
335 Student Council	127	-	-	(127)	-
345 No Kid Hungry	50	4,559	(2,599)	(96)	1,914
350 Yearbook	6,235	36,462	(31,408)	(5,940)	5,349
375 Band	-	3,201	(3,130)	(34)	37
400 Beta Club	1,326	1,300	(949)	-	1,677
420 Spirit Club	18	180	(77)	-	121
500 English Club	842	531	(1,057)	-	316
505 History Club	1,043	150	(105)	-	1,088
510 Math Club	330	200	(50)	-	480
515 Spanish Club	8	2,252	(2,056)	(51)	153
525 KYA/KUNA	822	-	-	-	822
535 NTHS	87	65	(75)	-	77
540 180 Club	1,133	755	(641)	-	1,247
550 Yen Club	49	-	-	(49)	-
615 Class of 2015	-	14,770	(16,967)	2,419	222
715 Class of 2015 Senior Trip	2,035	-	-	(2,035)	-
800 Scholarship Fund	473	17,870	(17,750)	-	593
911 CCHS Football Booster	5,959	21,366	(20,668)	-	6,657
913 Football Booster 1-6	1,213	5,270	(6,483)	-	-
916 CCMS Volleyball Booster	2,286	-	(2,286)	-	-
917 CCHS Volleyball Booster	3,727	7,440	(4,293)	-	6,874
922 Boys Soccer Booster	-	978	(794)	(184)	-
927 Girls Soccer Booster	-	978	(544)	(434)	-
932 Boys Golf Booster	426	5,113	(4,584)	(955)	-
937 Girls Golf Booster	1,100	5,142	(3,321)	(1,459)	1,462
947 Archery Booster	2,538	4,765	(3,510)	(510)	3,283
953 Boys Basketball Booster	-	7,536	(3,267)	(140)	4,129
958 Girls Basketball Booster	-	7,535	(2,838)	(999)	3,698
963 Baseball Booster	1,799	6,763	(5,389)	-	3,173
968 Softball Booster	126	2,170	(2,260)	-	36
Total	<u>\$ 62,371</u>	<u>\$ 428,224</u>	<u>\$ (400,868)</u>	<u>\$ -</u>	<u>\$ 89,727</u>

CLINTON COUNTY SCHOOL DISTRICT
ELEMENTARY AND MIDDLE SCHOOLS ACTIVITY FUNDS
ALL FUNDS COMBINED
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
For the year ended June 30, 2015

Schools	Fund Balance June 30, 2014	Receipts	Disburse- ments	Fund Balance June 30, 2015
Clinton County Early Childhood Center	\$ 13,775	\$ 49,320	\$ (54,812)	\$ 8,283
Albany Elementary School	13,154	106,454	(115,567)	4,041
Clinton County Middle School	67,931	143,092	(160,933)	50,090
Total	<u>\$ 94,860</u>	<u>\$ 298,866</u>	<u>\$ (331,312)</u>	<u>\$ 62,414</u>

CLINTON COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015

<u>Program Title</u>	<u>Munis Number</u>	<u>Federal CFDA No.</u>	<u>Federal Expenditures</u>	<u>Total By CFDA #</u>
U. S. DEPARTMENT OF AGRICULTURE		<i>Cluster</i>		
<i>Passed Through Kentucky Department of Education:</i>				
<u>Child Nutrition Cluster</u>				
School Breakfast Program	203X	10.553	\$ 258,959	
National School Lunch Program	205X	10.555	638,407	
Summer Food Program	209X	10.559	26,385	\$ 923,751 **
Child and Adult Care	208X	10.558	20,446	20,446
<i>Passed Through Kentucky Department of Agriculture:</i>				
<u>Food Distribution Cluster</u>				
Commodity Supplemental Food Program	201X	10.565	65,601	65,601
TOTAL U.S. DEPARTMENT OF AGRICULTURE				1,009,798
U. S. DEPT. OF EDUCATION				
<i>Passed Through Kentucky Department of Education:</i>				
Adult Education - Core Services / Family Literacy	373XS	84.002	28,742	
Adult Education - Prof/Staff Development	373XS	84.002	242	
Adult Education - Recruitment, Retention and Results	365X	84.002	12,859	41,843
<u>Title I Cluster</u>				
Title I - Part A - Improving Basic Programs	310X	84.010	702,081	
Title I - Professional Development - District Improvement	310XD	84.010	25,018	
Title I - Parent Involvement	310XM	84.010	40,935	
Title I - Neglected and Delinquent Children	314X	84.010	109,281	877,315
Title I - Migrant Education	311X	84.011	82,176	82,176
<u>Special Education Cluster</u>				
IDEA-B Flow Thru to LEA's	337X	84.027	404,685	
IDEA B - Preschool	343X	84.173	18,821	423,506
Perkins Carry Forward	348XA	84.048	468	
Perkins	348X	84.048	11,820	12,288
21st Century Community Learning Center	550X	84.287	14,678	
21st Century Community Learning Center - High School	550XH	84.287	43,421	
21st Century Community Learning Center - Multi-State Conference	550XC	84.287	67,212	
21st Century Community Learning Center - Supplemental Funds	550XJ	84.287	1,065	
21st Century Community Learning Center - Summer Program	550XU	84.287	17,362	
21st Century Community Learning Center - Supplemental Funds	550XZ	84.287	25,310	169,048
Gear Up Academic Specialist	379XA	84.334A	33,788	
Gear Up Work Plan Budget	379XG	84.334A	60,262	94,050
Title VI: Rural Education	350X	84.358	35,032	35,032
Title II: Teachers Quality	401X	84.367	128,127	128,127
Race to the Top - Advanced Kentucky	452XA	84.413	3,439	
Race to the Top	452X	84.413	5,211	8,650
TOTAL U.S. DEPARTMENT OF EDUCATION				1,872,035
U.S. DEPARTMENT OF DEFENSE				
<i>Passed through KY Dept of Military Affairs</i>				
ROTC	504A	12.000	64,239	64,239
APPALACIAN REGIONAL COMMISSION				
<i>Passed through the Rural Economic Center of Somerset</i>				
Appalachian Higher Education Network (KY AHED)	6884	23.011	1,310	1,310
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 2,947,382
				<i>Tested as a Major Program **</i>

CLINTON COUNTY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2015

NOTE A – BASIS OF PRESENTATION

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

NOTE B – FOOD DISTRIBUTION

Non-monetary assistance is reported in the Schedule at the fair value of the commodities received. Commodities passed through the U.S. Dept. of Agriculture during the year totaled \$65,601.

CLINTON COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 June 30, 2015

Section 1. Summary of Auditor's Findings

Financial statements:

Type of auditor's report issued: unmodified

Internal control over financial reporting	<u>Yes</u>	<u>No</u>	
• Material weaknesses identified?		X	
• Significant deficiencies identified that are not considered to be material weaknesses?	X		
• Noncompliance material to financial statements noted?			X

Federal Awards:

Internal control over major programs	<u>Yes</u>	<u>No</u>	
• Material weakness identified?		X	
• Significant deficiencies identified that are not considered to be material weaknesses?			X None Reported

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

	<u>Yes</u>	<u>No</u>	
• Any audit findings disclosed that are required to be reported in accordance with section 510 (a) of Circular A-133?		X	

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555 10.559	Child Nutrition Cluster

• Dollar threshold used to distinguish between type A and type B programs	\$300,000
• Auditee qualified as low-risk auditee?	Yes <u> X </u> No <u> </u>

CLINTON COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2015
(Continued)

Section 2. Financial Statement Findings

2015-01 Fixed Assets

Statement of Condition: Capital assets should be recorded and reported at their historical cost and tagged before being placed into service.

Criteria for Condition: Capital assets should be recorded and reported at their historical cost and reconcile the asset data between MUNIS Fixed Assets and General Ledger module on a periodic basis per KDE GASB 34 Capital Asset Guide.

Cause of the Condition: Assets were purchased at the school level and not recorded in MUNIS at the central office. Also assets were not booked at complete historical cost. Complete historical cost includes full invoice amount, installation cost, freight, etc.

Effect of the Condition: Fixed Assets listing is not accurate or up to date.

Recommendation for Correction: All fixed assets meeting the threshold purchased at the school level should be reported to central office for proper recording.

Management's Response: Management is providing retraining for both the AES school principal and AES financial secretary to ensure that all Redbook guidelines are followed and assets are reported to appropriate personnel at central office. All assets will be recorded at their historical cost and tagged as required.

Prior Year: 2014-01 Fixed Assets (Repeat)

Section 3. Federal Awards Findings and Questionable Costs

Current Year: No matters were reported.

Prior Year: No matters were reported.

CLINTON COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2015

Prior Audit Findings:

2014-01

Fixed Assets

Statement of Condition: Capital assets should be recorded and reported at their historical cost and tagged before leaving Central Office.

Criteria for Condition: Capital assets should be recorded and reported at their historical cost and reconcile the asset data between MUNIS Fixed Assets and General Ledger module on a periodic basis per KDE GASB 34 Capital Asset Guide.

Cause of the Condition: Assets were delivered to the schools before being tagged. Replacements were made at the schools and the fixed asset module was not updated, leading the auditors to believe there wasn't an inventory conducted at year end. Also, assets were not booked at complete historical cost. Complete historical cost includes full invoice amount, installation cost, freight, etc.

Effect of the Condition: Fixed Assets listing is not accurate or up to date.

Recommendation for Correction:

The district should consider annual inventory of all assets and centralize their fixed asset procedures so that all fixed assets are received and tagged in one location before being delivered throughout the district.

Status:

The District still has issues reporting and tagging assets. We suggest stronger controls to include assets purchased at the school level. This is a repeat comment for FY 2015.

ROSS & COMPANY, PLLC
Certified Public Accountants
800 Envoy Circle
Louisville, KY 40299-1837
Telephone (502) 499-9088
Facsimile (502) 499-9132

Members of the Board
Clinton County School District
Albany, Kentucky

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendices I and II of 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 Clinton County School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Clinton County School District's basic financial statements, and have issued our report thereon dated November 12, 2015.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies 2015-01.

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of Clinton County School District in a separate letter date November 12, 2015.

Clinton County School District's Response to Findings

Clinton County School District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Clinton County School 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.

Respectfully Submitted,



Ross and Company, PLLC
November 12, 2015

ROSS & COMPANY, PLLC
Certified Public Accountants
800 Envoy Circle
Louisville, KY 40299-1837
Telephone (502) 499-9088
Facsimile (502) 499-9132

Members of the Board
Clinton County School District
Albany, Kentucky

**INDEPENDENT REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Report on Compliance for Each Major Federal Program

We have audited the compliance of Clinton County School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Clinton County School District's major federal programs for the year ended June 30, 2015.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Clinton County School District's major federal programs based on our audit of the types of compliance requirements referred to above.

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

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

Opinion

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

INDEPENDENT REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

Report on Internal Control over Compliance

Management of Clinton County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Clinton County School 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 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 Clinton County School District's internal control over compliance.

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

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

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

Respectfully Submitted,



Ross & Company, PLLC
November 12, 2015

ROSS & COMPANY, PLLC
Certified Public Accountants
800 Envoy Circle
Louisville, KY 40299-1837
Telephone (502) 499-9088
Facsimile (502) 499-9132

Members of the Board
Clinton County School District
Albany, Kentucky

RECOMMENDATIONS AND COMMENTS TO MANAGEMENT

In planning and performing our audit, we considered Clinton County School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Clinton County School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness.

Current Year Findings –

2015-01 Fixed Assets

Statement of Condition: Capital assets should be recorded and reported at their historical cost and tagged before being placed into service.

Criteria for Condition: Capital assets should be recorded and reported at their historical cost and reconcile the asset data between MUNIS Fixed Assets and General Ledger module on a periodic basis per KDE GASB 34 Capital Asset Guide.

Cause of the Condition: Assets were purchased at the school level and not recorded in MUNIS at the central office. Also assets were not booked at complete historical cost. Complete historical cost includes full invoice amount, installation cost, freight, etc.

Effect of the Condition: Fixed Assets listing is not accurate or up to date.

Recommendation for

Correction: All fixed assets meeting the threshold purchased at the school level should be reported to central office for proper recording.

Management's Response: Management is providing retraining for both the AES school principal and AES financial secretary to ensure that all Redbook guidelines are followed and assets are reported to appropriate personnel at central office. All assets will be recorded at their historical cost and tagged as required.

RECOMMENDATIONS & COMMENTS
TO MANAGEMENT
CLINTON COUNTY SCHOOL DISTRICT
JUNE 30, 2015
(Continued)

2015-02 District Employees Paid Through Student Activity Funds

Statement of Condition: District employees were paid as gate and concession workers.

Criteria for Condition: Payments to any employee for extra duties or extra services must be made from the central office per Accounting Procedures for Kentucky School Activity Funds, "Redbook."

Cause of the Condition: Two employees worked gate and concessions for Clinton County High and Clinton County Middle School and were paid through student activity funds.

Effect of the Condition: Payroll for these employee was not properly recorded to include retirement and taxes. Form 1099 should be issued to anyone who was paid for services over \$600.

*Recommendation for
Correction:*

Documentation of services rendered must be submitted to the central office payroll staff to initiate payment to district employees. Reimbursement to the central office shall be made from the school activity fund bank account for all payroll related costs incurred for extra duty work performed to be paid at the school level from the school activity fund.

Management's Response: Management has met with the CCMS and CCHS financial secretaries and discussed in detail proper Redbook procedures regarding payroll requirements for district employees. This will ensure all employees are being properly paid for their services rendered.

2015-03 Student Activity Funds Used For Office and Instructional Supplies

Statement of Condition: Office and instructional supplies were paid through Activity Funds.

Criteria for Condition: School activity funds shall not be used to pay for basic routine operating expenses, renovations or maintenance of school facilities or buildings along with instructional supplies per Accounting Procedures for Kentucky School Activity Funds, "Redbook."

Cause of the Condition: Activity funds were used to pay for copier contract, general office supplies and instruction supplies.

Effect of the Condition: School activity money generated by students may be used to provide student incentives for scholarship, athletics, specialized area performance, school spirit, and similar achievements. Office supplies and instructional supplies such as classroom supplies and staff technology are disallow according to KDE "RedBook".

*Recommendation for
Correction:*

District activity sweep accounts should be created at each school to allow for these purchases when prohibited.

Management's Response: Management is providing retraining for both the AES school principal and AES financial secretary to ensure that all Redbook guidelines are followed and all activity funds are properly expended. All schools will establish district activity "sweep" accounts.

RECOMMENDATIONS & COMMENTS
 TO MANAGEMENT
 CLINTON COUNTY SCHOOL DISTRICT
 JUNE 30, 2015
 (Continued)

2015-04 Student Activity Funds Used For Construction and Renovations (AES)

Statement of Condition: A construction project was funded by school activity funds.

Criteria for Condition: School activity funds shall not be used to pay for basic routine operating expenses, renovations or maintenance of school facilities or buildings per Accounting Procedures for Kentucky School Activity Funds, “Redbook.”

Cause of the Condition: Albany Elementary School’s principal authorized the construction of a structure on school property used for children pick up and drop off. As of June 30, 2015, over \$9,000 had been expensed for this project. The project was not approved by the board.

Effect of the Condition: Construction and renovations are disallowed expenditures for student activity funds. All construction projects should be approved by the board to ensure proper approval and authorization at the district and state level.

Recommendation for Correction: The District should reimburse the Albany Elementary school activity fund for all expenditures relating to the construction project. This reimbursement shall remain at the school activity fund level and expensed according to RedBook. Albany Elementary School should set up a district activity sweep account for allow for future projects when prohibited.

Management’s Response: Management is providing retraining for the AES school principal to provide a complete understanding of Redbook guidelines. This training will ensure that all activity funds are properly expended. The Clinton County Board of Education general fund will reimburse AES for all expenditures related to the construction project. A district sweep account will be created at the school.

Prior year comments:

2014-01	<u>Fixed Assets</u>	(REPEATED)
2014-02	<u>External Boosters Club using District’s FIDN</u>	(CORRECTED)
2014-03	<u>Handling Cash (Redbook)</u>	(CORRECTED)
2014-04:	<u>Deposits over \$100 (Redbook)</u>	(CORRECTED)
2014-05	<u>Credit Card Log (Redbook)</u>	(CORRECTED)
2014-06	<u>Concession Forms (Redbook)</u>	(CORRECTED)
2014-07	<u>Multiple Receipt Forms (Redbook)</u>	(CORRECTED)

If any action occurs after this exit conference date, which affects the significant or material findings, it is the responsibility of management to provide that information to the auditors.

RECOMMENDATIONS & COMMENTS
TO MANAGEMENT
CLINTON COUNTY SCHOOL DISTRICT
JUNE 30, 2015
(Continued)

We sincerely appreciate the courtesy extended to our audit staff. Of course, should you have any questions or concerns regarding your audit, please feel free to contact us.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Ross & Company". The signature is written in black ink and is positioned above the printed name of the company.

Ross & Company, PLLC
November 12, 2015