

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

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

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

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

Cumberland 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.

INDEPENDENT AUDITOR'S REPORT  
CUMBERLAND COUNTY SCHOOL DISTRICT  
JUNE 30, 2015  
(Continued)

***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 and analysis, budgetary comparison information, and net pension schedules on pages 4-9, 40-41 and 42-45 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 Cumberland 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 11, 2015 on our consideration of Cumberland 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 Cumberland County School District's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in cursive script that reads "Ross and Company".

Ross and Company, PLLC  
November 11, 2015

**Cumberland County School District  
Burkesville, Kentucky  
Management's Discussion and Analysis (MD & A)  
Year Ended June 2014**

As management of the Cumberland 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 balance including investments for the District was \$1,255,691 and \$1,162,421 respectively in the General Fund, School Food Service and School Age Childcare.
- The General Fund had \$7,775,380 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 \$7,616,638 in General Fund expenditures.

**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) district-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**District-wide financial statements.** The district-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 activities presents information showing how the District's assets and liabilities, with the difference between the two reported as net positions. Over time, increases or decreases in net positions may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net positions changed during the most recent fiscal year. All changes in net positions 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 district-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (government activities.) The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The district-wide financial statements can be found on pages 10 and 11.

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

CUMBERLAND COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)  
JUNE 30, 2015  
(Continued)

welfare and teacher support. The only proprietary funds are the day care and food service operations. All other activities of the District are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 12 and 14.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements.

The notes to the financial statement can be found on pages 21 through 39.

**DISTRICT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$1,083,604 as of June 30, 2015.

A portion of the District's net positions reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress); less any related debt used to acquire those assets that are still outstanding. The District used 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 of capital assets, and the depreciation of capital assets.

**Net Position for the period ending June 30, 2014 (restated) and 2015, respectively:**

<b>ASSETS</b>	<b>2014</b>	<b>2015</b>
Total current assets	\$ 1,101,822	\$ 1,207,720
Total non-current assets	13,086,163	12,852,425
Total assets	\$ 14,187,985	\$ 14,060,145
Deferred Outflows	312,164	289,401
Total	<u>\$ 14,500,149</u>	<u>\$ 14,349,546</u>
<b>LIABILITIES</b>		
Total current liabilities	\$ 1,264,074	\$ 1,385,165
Total non-current liabilities	12,522,920	11,710,164
Total liabilities	13,786,994	13,095,329
Deferred inflows	-	170,613
Total	<u>13,786,994</u>	<u>13,265,942</u>
<b>NET POSITION</b>		
Invested in capital assets, net of related debt	1,596,287	1,924,075
Restricted	238,658	226,309
Unrestricted	<u>(1,121,790)</u>	<u>(1,066,780)</u>
Total net positions	<u>713,155</u>	<u>1,083,604</u>
Total liabilities and net positions	<u>\$ 14,500,149</u>	<u>\$ 14,349,546</u>

CUMBERLAND COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)  
JUNE 30, 2015  
(Continued)

The following table presents a summary of General Fund revenue and expense for the fiscal year ended June 30, 2015.

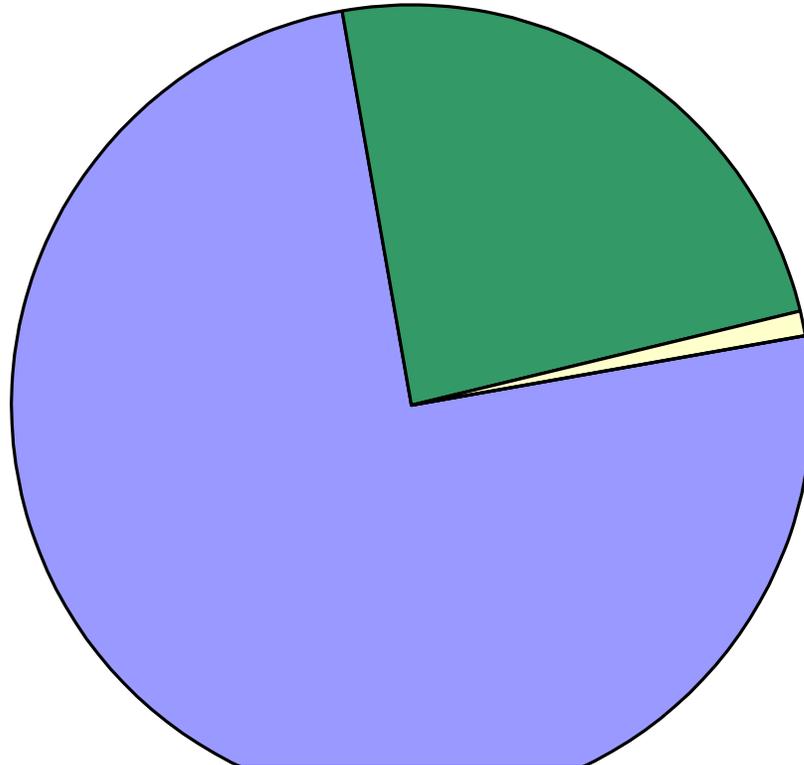
<b>Revenues</b>	<u>General Fund</u>
From local sources	\$ 1,891,616
State sources	5,852,706
Federal - indirect	31,058
Transfer/ Other	144,328
<b>Total revenues</b>	<u>7,919,708</u>
<b>Expenditures</b>	
Instruction	4,448,533
Support services	
Student	369,551
Instruction staff	179,548
District administration	308,614
School administration	540,080
Business	476,601
Plant operation and maintenance	743,430
Student transportation	549,436
Food service operation	69
Community service activities	776
Debt service	-
Transfer	278,831
<b>Total expenditures</b>	<u>7,895,469</u>
<b>Excess (deficit) of revenues and other financing sources over expenditures and other financing uses</b>	<u>\$ 24,239</u>

Comments on Budget Comparisons

- The District's total General Fund revenues for the fiscal year ended June 30, 2015, were \$8,719,107 including a beginning balance of 799,399.
- General fund budget compared to actual revenue varied slightly from line item to line item with the ending actual revenues being \$558,319 more than budgeted by 6.84% favorable percentage points.
- General fund budget expenditures to actual varied from line item to line item with the ending actual expenditures being \$316,319 less than budget by 3.85% favorable percentage points.

## General Fund Revenue

### Chart 1



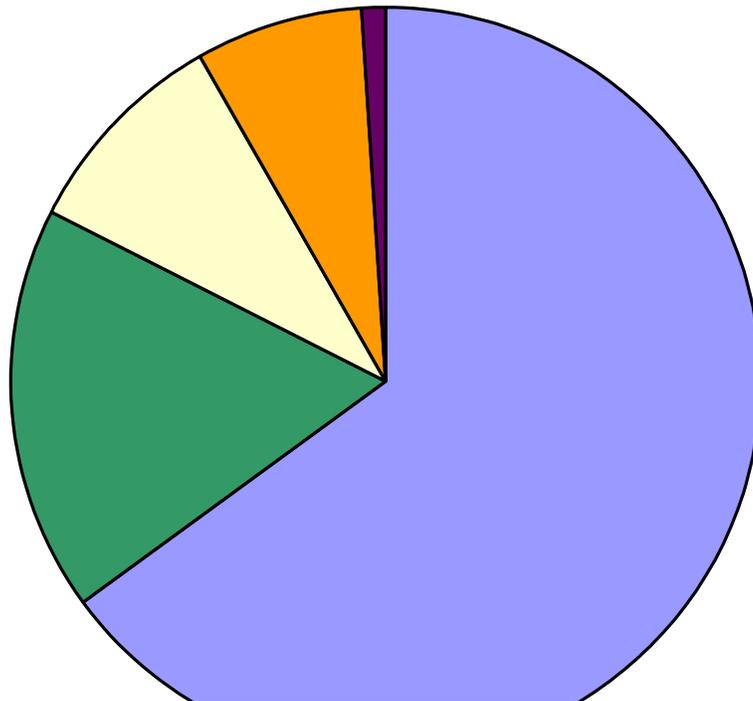
1 = 74% Revenue from State Sources \$5,852,706

2 = 24% Revenue from Local Sources \$1,891,616

3 = 2% Revenue from Federal Source \$31,058

## General Fund Expenditures

Chart 2



1= 63% Instructional/Student and Staff Support Services \$4,997,632

2 = 17% Administration/Business Support Services \$1,325,295

3 = 9% Plant Operation and Management \$743,430

4 = 7% Student Transportation \$549,436

5 = <1% Food Service/Community Service /Debt Service \$845

## **BUDGETARY IMPLICATIONS**

In Kentucky the public school fiscal year is July 1 – June 30; other programs, i.e. some federal programs operate on a different fiscal calendar, but are reflected in the District's overall budget. By law the budget must have a minimum 2% contingency. The District adopted a budget with \$187,570.64 in contingency. The beginning and ending cash balances for fiscal year 2014-15 in the General Fund were \$296,310 and \$314,892 respectively. Significant actions taken by the District are as follows:

- KTRS matching employer rates went from 1.5% to 2.5%.
- CERS rates went from 18.89% to 17.67%.
- 1% mandated salary increase for certified nor classified personnel
- From June 30, 2014 to June 30, 2015, ADA decreased from 899 to 889 for the district
- The Board adopted the 4% tax rate
- Workers Comp rates increase from .5 to 5.3 for professional & clerical workers. From 9 to 5.3 for drivers. From 4 to 3.52 for cooks, custodians, maintenance workers.
- Due to federal sequestration, we are responsible for the part of the 'interest free' QZAB bond payment in September 2014 in the amount of \$6,287 and in February 2015 \$6,287.
- Lack of funding to districts for transportation at the state level remains a concern. Currently, transportation is funded at approximately 58%.
- The Gifted & Talent Instructor and ES 21<sup>st</sup> Century Coordinator positions were combined as of July 2014 at a cost savings to the board.
- The Middle School Guidance position was combined with MS Librarian as of July 2014 at a cost savings to the board.
- The Director of Special Education and Food Service Director was combined as of July 2014 as a cost savings to the board.
- The Director of Pupil Personnel and Insurance Coordinator was combined as of July 2014 as a cost savings to the board.
- Beginning October 2014, SEEK was cut \$25,944.
- The district added another Area Technology Center route for the High School Students.
- The district purchase two additional buses to help offset the ageing fleet.

Questions regarding this report should be directed to **Dr. Kirk Biggerstaff, Superintendent**, or **Kristi Willen, Finance Officer** at 270-864-3377 or by mail at P O Box 420, Burkesville, KY 42717.

**CUMBERLAND COUNTY SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**

DISTRICT WIDE  
As of June 30, 2015

<b>ASSETS</b>	Governmental Activities	Business-type Activities	Total
<b>Current Assets</b>			
Cash and cash equivalents	\$ 120,028	\$ 92,617	\$ 212,645
Investments	500,000	-	500,000
Other receivables	430,112	-	430,112
Inventory	-	25,141	25,141
Prepays	39,822	-	39,822
<b>Total current assets</b>	<u>1,089,962</u>	<u>117,758</u>	<u>1,207,720</u>
<b>Non-current Assets</b>			
Land	175,321	-	175,321
Land Improvements	665,254	-	665,254
Buildings and improvements	16,545,758	32,506	16,578,264
Furniture and equipment	3,183,858	484,485	3,668,343
Less: Accumulated depreciation	(7,944,885)	(289,872)	(8,234,757)
<b>Total non-current assets</b>	<u>12,625,306</u>	<u>227,119</u>	<u>12,852,425</u>
<b>Total assets</b>	<u>13,715,268</u>	<u>344,877</u>	<u>14,060,145</u>
<b>Deferred outflows</b>			
Bond refunding	95,755	-	95,755
Pension outflows	193,646	-	193,646
<b>Total deferred outflows</b>	<u>289,401</u>	<u>-</u>	<u>289,401</u>
<b>Total assets &amp; deferred outflows</b>	<u>\$ 14,004,669</u>	<u>\$ 344,877</u>	<u>\$ 14,349,546</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 57,003	\$ 3,209	\$ 60,212
Deferred revenue	155,891	2,885	158,776
Interest payable	279,015	-	279,015
Current portion of long-term obligations	761,699	-	761,699
Current portion of KISTA obligations	64,248	-	64,248
Current portion of sick-leave	61,215	-	61,215
<b>Total current liabilities</b>	<u>1,379,071</u>	<u>6,094</u>	<u>1,385,165</u>
<b>Non-current Liabilities</b>			
Non-current portion of long-term obligation	9,781,505	-	9,781,505
Non-current portion of KISTA obligation	320,898	-	320,898
Non-current portion of accrued sick leave	79,301	-	79,301
Net pension liabilities (CERS)	1,528,460	-	1,528,460
<b>Total non-current liabilities</b>	<u>11,710,164</u>	<u>-</u>	<u>11,710,164</u>
<b>Total liabilities</b>	<u>13,089,235</u>	<u>6,094</u>	<u>13,095,329</u>
<b>Deferred inflows</b>			
Pension inflows	170,613	-	170,613
<b>Total deferred inflows</b>	<u>170,613</u>	<u>-</u>	<u>170,613</u>
<b>Total liabilities &amp; deferred inflows</b>	<u>13,259,848</u>	<u>6,094</u>	<u>13,265,942</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	\$ 1,696,956	\$ 227,119	\$ 1,924,075
Restricted for:			
Capital projects	53,430	-	53,430
Other	61,215	111,664	172,879
Unrestricted	(1,066,780)	-	(1,066,780)
<b>Total net position</b>	<u>744,821</u>	<u>338,783</u>	<u>1,083,604</u>
<b>Total liabilities and net position</b>	<u>\$ 14,004,669</u>	<u>\$ 344,877</u>	<u>\$ 14,349,546</u>

See accompanying notes to financial statements.

**CUMBERLAND 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
<b>Governmental Activities</b>							
Instruction	\$ 7,106,054	\$ -	\$ 1,363,935	\$ -	\$ (5,742,119)	\$ -	\$ (5,742,119)
Support services:							
Student	377,377	-	7,438	-	(369,939)	-	(369,939)
Instruction staff	559,462	-	389,767	-	(169,695)	-	(169,695)
District administrative	367,523	-	-	-	(367,523)	-	(367,523)
School administrative	526,375	-	-	-	(526,375)	-	(526,375)
Business	563,977	-	-	-	(563,977)	-	(563,977)
Plant operation and maintenance	696,660	-	-	-	(696,660)	-	(696,660)
Student transportation	662,509	-	11,677	-	(650,832)	-	(650,832)
Facilities acquisition and construction	68,289	-	-	-	(68,289)	-	(68,289)
Community service activities	83,018	-	79,543	-	(3,475)	-	(3,475)
Other	26,196	-	-	-	(26,196)	-	(26,196)
Interest on long-term debt	279,015	-	-	-	(279,015)	-	(279,015)
<b>Total governmental activities</b>	<b>11,316,455</b>	<b>-</b>	<b>1,852,360</b>	<b>-</b>	<b>(9,464,095)</b>	<b>-</b>	<b>(9,464,095)</b>
<b>Business-type Activities</b>							
Food service	785,509	39,453	666,209	-	-	(79,847)	(79,847)
Community Education	35,677	25,826	2,746	-	-	(7,105)	(7,105)
<b>Total business-type activities</b>	<b>821,186</b>	<b>65,279</b>	<b>668,955</b>	<b>-</b>	<b>-</b>	<b>(86,952)</b>	<b>(86,952)</b>
<b>Total school district</b>	<b>\$ 12,137,641</b>	<b>\$ 65,279</b>	<b>\$ 2,521,315</b>	<b>\$ -</b>	<b>\$ (9,464,095)</b>	<b>\$ (86,952)</b>	<b>\$ (9,551,047)</b>
			<b>General Revenues</b>				
			Property taxes	\$ 1,135,101	\$ -	\$ 1,135,101	
			Delinquent property tax		-	-	
			Motor vehicle taxes	204,451	-	204,451	
			Utility taxes	448,425	-	448,425	
			Other taxes	208,206	-	208,206	
			Investment earnings	16,258	1,003	17,261	
			State aid formula grants	7,227,404	-	7,227,404	
			Loss on sale of fixed assets	(22)	(23)	(45)	
			Miscellaneous	224,402	-	224,402	
			Transfers	31,537	(31,537)	-	
			<b>Total general revenues</b>	<b>9,495,762</b>	<b>(30,557)</b>	<b>9,465,205</b>	
			Change in net position	31,667	(117,509)	(85,842)	
			Net position - beginning	2,238,476	456,292	2,694,768	
			Prior Period Adjustment	(1,525,322)	-	(1,525,322)	
			Net position - ending	<b>\$ 744,821</b>	<b>\$ 338,783</b>	<b>\$ 1,083,604</b>	

See accompanying notes to financial statements.

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

	General Fund	Special Revenue	Debt Service	Other Governmental	Total Governmental
<b>ASSETS</b>					
Cash and cash equivalents	\$ 314,893	\$ (248,295)	\$ -	\$ 53,430	\$ 120,028
Investments	500,000	-	-	-	500,000
Other receivables	16,579	413,533	-	-	430,112
Prepaid Expenditures	39,822	-	-	-	39,822
<b>Total assets</b>	<b>\$ 871,294</b>	<b>\$ 165,238</b>	<b>\$ -</b>	<b>\$ 53,430</b>	<b>\$ 1,089,962</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 47,656	\$ 9,347	\$ -	-	\$ 57,003
Deferred revenue	-	155,891	-	-	155,891
<b>Total liabilities</b>	<b>47,656</b>	<b>165,238</b>	<b>-</b>	<b>-</b>	<b>212,894</b>
<b>Fund Balances</b>					
Restricted:					
Future Construction	\$ -	\$ -	\$ -	\$ 53,430	\$ 53,430
Committed:					
Sick Leave Payable	61,215	-	-	-	61,215
Unassigned:	762,423	-	-	-	762,423
<b>Total fund balances</b>	<b>823,638</b>	<b>-</b>	<b>-</b>	<b>53,430</b>	<b>877,068</b>
<b>Total liabilities and fund balances</b>	<b>\$ 871,294</b>	<b>\$ 165,238</b>	<b>\$ -</b>	<b>\$ 53,430</b>	<b>\$ 1,089,962</b>

See accompanying notes to financial statements.

**CUMBERLAND 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		\$ 877,068
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental:		
Cost of capital	\$ 20,570,191	
Accumulated depreciation	(7,944,885)	
Deferred outflow	289,401	12,914,707
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	(10,543,204)	
KISTA Obligations	(385,146)	
Interest payable	(279,015)	
Long-term sick leave	(140,516)	
Net pension liabilities	(1,528,460)	
Deferred inflows	(170,613)	<u>(13,046,954)</u>
Total Net Position-Governmental Funds		<u><u>\$ 744,821</u></u>

See accompanying notes to financial statements.

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

For the year ended June 30, 2015

<b>Revenues</b>	General Fund	Special Revenue	Debt Service	Other Governmental Funds	Total Governmental Funds
From local sources					
Property taxes	\$ 790,323	\$ -	\$ -	\$ 344,778	\$ 1,135,101
Motor vehicle taxes	204,451	-	-	-	204,451
Utilities taxes	448,425	-	-	-	448,425
Other taxes	208,206	-	-	-	208,206
Earnings on investments	15,809	36	-	449	16,294
Other local revenues	224,402	3,261	-	-	227,663
State sources					
SEEK	4,051,092	-	-	410,340	4,461,432
On Behalf Payments	1,785,655	-	146,012	-	1,931,667
Other	15,959	447,671	-	-	463,630
Federal - indirect	31,058	1,401,392	-	-	1,432,450
<b>Total revenues</b>	<b>7,775,380</b>	<b>1,852,360</b>	<b>146,012</b>	<b>755,567</b>	<b>10,529,319</b>
<b>Expenditures</b>					
Instruction	4,448,534	1,390,281	-	-	5,838,815
Support services					
Student	369,551	7,438	-	-	376,989
Instruction staff	179,548	389,767	-	-	569,315
District administration	308,614	-	-	-	308,614
School administration	540,080	-	-	-	540,080
Business	476,601	-	-	-	476,601
Plant operation and maintenance	743,430	-	-	-	743,430
Student transportation	549,436	11,677	-	-	561,113
Food service operation	69	-	-	-	69
Facilities acquisition and construction	-	-	-	68,289	68,289
Community service activities	776	79,543	-	-	80,319
Debt service	-	-	1,103,650	-	1,103,650
<b>Total expenditures</b>	<b>7,616,639</b>	<b>1,878,706</b>	<b>1,103,650</b>	<b>68,289</b>	<b>10,667,284</b>
<b>Excess (deficit) of revenues over expenditures</b>	<b>158,741</b>	<b>(26,346)</b>	<b>(957,638)</b>	<b>687,278</b>	<b>(137,965)</b>
<b>Other Financing Sources (Uses)</b>					
Other financing sources- Not transfers	12	-	-	-	12
Operating transfers in	144,317	26,346	957,638	-	1,128,301
Operating transfers out	(278,831)	-	-	(817,933)	(1,096,764)
<b>Total other financing sources (uses)</b>	<b>(134,502)</b>	<b>26,346</b>	<b>957,638</b>	<b>(817,933)</b>	<b>31,549</b>
<b>Excess (deficit) of revenues and other financing sources over expenditures and other financing uses</b>	<b>24,239</b>	<b>-</b>	<b>-</b>	<b>(130,655)</b>	<b>(106,416)</b>
<b>Net change in fund balances</b>	<b>24,239</b>	<b>-</b>	<b>-</b>	<b>(130,655)</b>	<b>(106,416)</b>
<b>Fund balance, July 1, 2014</b>	<b>799,399</b>	<b>-</b>	<b>-</b>	<b>184,085</b>	<b>983,484</b>
<b>Fund balance, June 30, 2015</b>	<b>\$ 823,638</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 53,430</b>	<b>\$ 877,068</b>

See accompanying notes to financial statements.

**CUMBERLAND 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 \$ (106,416)

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. (639,600)

In the statement of activities, only the gain on the sale of asset is reported, whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus, the change in net position differ from the change in fund balances by the basis of the asset sold. (34)

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. 784,005

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. (40,685)

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. 14,503

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. 19,894

Change in Net Position - Governmental Funds \$ 31,667

See accompanying notes to financial statements.

**CUMBERLAND COUNTY SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**

As of June 30, 2015

<b>ASSETS</b>	<u>Food Service Fund</u>	<u>School Age Child Care</u>	<u>Total</u>
<b>Current Assets</b>			
Cash and cash equivalents	\$ 67,882	\$ 24,735	\$ 92,617
Inventory	25,141	-	25,141
<b>Total current assets</b>	<u>93,023</u>	<u>24,735</u>	<u>117,758</u>
<b>Noncurrent Assets</b>			
Buildings and improvements	31,375	1,131	32,506
Furniture and equipment	484,485	-	484,485
Less: Accumulated depreciation	(289,412)	(460)	(289,872)
<b>Total noncurrent assets</b>	<u>226,448</u>	<u>671</u>	<u>227,119</u>
<b>Total assets</b>	<u>\$ 319,471</u>	<u>\$ 25,406</u>	<u>\$ 344,877</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 3,119	\$ 90	\$ 3,209
Deferred Revenue	2,885	-	2,885
<b>Total liabilities</b>	<u>6,004</u>	<u>90</u>	<u>6,094</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	226,448	671	227,119
Restricted for:			
Inventory	25,141	-	25,141
Net Position	61,878	24,645	86,523
<b>Total net position</b>	<u>313,467</u>	<u>25,316</u>	<u>338,783</u>
<b>Total liabilities and net position</b>	<u>\$ 319,471</u>	<u>\$ 25,406</u>	<u>\$ 344,877</u>

See accompanying notes to financial statements.

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

For the year ended June 30, 2015

	Food Service Fund	School Age Child Care	Total
<b>Operating Revenues</b>			
Service sales	\$ 39,057	\$ 25,826	\$ 64,883
Other operating revenue	396	-	396
<b>Total operating revenues</b>	<u>39,453</u>	<u>25,826</u>	<u>65,279</u>
<b>Operating Expenses</b>			
Salaries and wages	341,716	25,002	366,718
Professional and contract services	7,295	6,651	13,946
Supplies and materials	399,133	3,760	402,893
Depreciation	36,416	45	36,461
Other operating expenses	949	219	1,168
<b>Total operating expenses</b>	<u>785,509</u>	<u>35,677</u>	<u>821,186</u>
<b>Operating income (loss)</b>	<u>(746,056)</u>	<u>(9,851)</u>	<u>(755,907)</u>
<b>Non-operating revenues (expenses)</b>			
Federal grants	567,287	-	567,287
State grants	98,922	2,746	101,668
Interest income	1,003	-	1,003
Gain/ (Loss) on sale of asset	(23)	-	(23)
<b>Total non-operating revenues (expenses)</b>	<u>667,189</u>	<u>2,746</u>	<u>669,935</u>
<b>Transfers Out</b>	(31,537)	-	(31,537)
<b>Changes in net position</b>	(110,404)	(7,105)	(117,509)
<b>Total net position, July 1, 2014</b>	<u>423,871</u>	<u>32,421</u>	<u>456,292</u>
<b>Total net position, June 30, 2015</b>	<u>\$ 313,467</u>	<u>\$ 25,316</u>	<u>\$ 338,783</u>

See accompanying notes to financial statements.

**CUMBERLAND COUNTY SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**

For the year ended June 30, 2015

	Food Service Fund	School Age Child Care	Total
<b>Cash Flows from Operating Activities</b>			
Cash received from sales	\$ 39,057	\$ 25,826	\$ 64,883
Cash received from other activities	396	-	396
Cash payments to employees for services	(341,716)	(25,002)	(366,718)
Cash payments to suppliers for goods and services	(414,062)	(10,422)	(424,484)
Cash payments for other operating activities	(949)	(219)	(1,168)
<b>Net cash from operating activities</b>	<u>(717,274)</u>	<u>(9,817)</u>	<u>(727,091)</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Transfers	(31,537)	-	(31,537)
Non-operating grants received	666,209	2,746	668,955
<b>Net cash from noncapital financing activities</b>	<u>634,672</u>	<u>2,746</u>	<u>637,418</u>
<b>Cash Flows from Investing Activities</b>			
Interest on investments	1,003	-	1,003
<b>Net cash flows from investing activities</b>	<u>1,003</u>	<u>-</u>	<u>1,003</u>
<b>Net increase in cash and cash equivalents</b>	(81,599)	(7,071)	(88,670)
<b>Cash and cash equivalents - beginning</b>	149,481	31,806	181,287
<b>Cash and cash equivalents - ending</b>	<u>67,882</u>	<u>24,735</u>	<u>92,617</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>			
Operating income (loss)	(746,056)	(9,851)	(755,907)
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>			
Depreciation	36,416	45	36,461
Changes in assets and liabilities:			
Inventory	(6,219)	-	(6,219)
Accounts payable	(1,415)	(11)	(1,426)
<b>Net Cash Provided by Operating Activities</b>	<u>\$ (717,274)</u>	<u>\$ (9,817)</u>	<u>\$ (727,091)</u>
<b>Non-Cash Transactions</b>			
Donated Commodities	\$ 35,489		
On Behalf Payments	92,601		

See accompanying notes to financial statements.

**CUMBERLAND COUNTY SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS**

June 30, 2015

<b>ASSETS</b>	<u>Student Activity Funds</u>
<b>Current Assets</b>	
Due from other funds	\$      274,746
	<hr/>
<b>Total assets</b>	<b>\$      274,746</b>
	<hr/> <hr/>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Due to school groups	\$      274,746
	<hr/>
<b>Total net position and liabilities</b>	<b>\$      274,746</b>
	<hr/> <hr/>

See accompanying notes to financial statements.

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

For the year ended June 30, 2015

	<u>Student Activity Funds</u>
<b>Additions</b>	
Revenues from student activities	\$ 335,571
<b>Deduction</b>	
Non-instructional expenses	<u>(340,199)</u>
<b>Change in revenues over expenses</b>	(4,628)
<b>Due to school groups - beginning</b>	<u>279,374</u>
<b>Due to school groups - ending</b>	<u><u>\$ 274,746</u></u>

See accompanying notes to financial statements.

# CUMBERLAND COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

For the fiscal year ending June 30, 2015

### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Reporting Entity**

The Cumberland 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 Cumberland 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.

Cumberland County School District Finance Corporation – The Cumberland County School District resolved to authorize the establishment of the Cumberland 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. Two board members of the Cumberland County School District also comprise the Corporation's Board of Directors.

#### **Basis of Presentation**

##### *District-wide Financial Statements:*

The statement of net positions 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 segments or governmental function is self-financing or draws from the general revenues of the District.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*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.

**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.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*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 contributions 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. The aggregations of non-major funds are called Other Enterprises, which accounts for School Age Child Care Funds.

*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.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Accounting (Continued)**

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.

**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.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Balances**

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

Nonspendable 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. At June 30, 2015, the District did not have a nonspendable fund balance.

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. The District restricted funds \$53,430 in Construction Fund for future construction at June 30, 2015.

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 had \$61,215 committed funds for sick leave payable in the General Fund

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 nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose. The district did not have any assigned funds as of June 30, 2015.

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 expenditures 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 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.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System Non-Hazardous (“CERS”) and 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 \$964,876 and the combined bank balances totaled \$1,742,622. 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.

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the District'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.

**NOTE 2. SAFEGUARDING CASH AND CASH EQUIVALENTS (CONTINUED)**

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/>.

**NOTE 4. RETIREMENT PLANS (CONTINUED)**

*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

**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](http://www.ktrs.ky.gov/05_publications/index.htm).

**NOTE 4. RETIREMENT PLANS (CONTINUED)**

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

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

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

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

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

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

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

**NOTE 4. RETIREMENT PLANS (CONTINUED)**

**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:

District's proportionate share of the CERS net pension liability	\$ 1,528,460
Commonwealth's proportionate share of the KTRS net pension liability associated with the District	<u>30,950,918</u>
	<u>\$ 32,479,378</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 .047% percent.

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

**NOTE 4. RETIREMENT PLANS (CONTINUED)**

For the year ended June 30, 2015, the District recognized pension expense of \$173,752 related to CERS and \$1,516,658 related to KTRS. The District also recognized revenue of \$1,516,658 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	-	170,613
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
District contribution subsequent to the measurement date	193,646	-
	<u>193,646</u>	<u>-</u>
Total	<u>\$ 193,646</u>	<u>\$ 170,613</u>

\$193,646 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:

<b>Year Ended June 30:</b>	
2016	\$ (34,123)
2017	(34,123)
2018	(34,123)
2019	(34,122)
2020	(34,122)
	<u>\$ (170,613)</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.

**NOTE 4. RETIREMENT PLANS (CONTINUED)**

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.

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.

**NOTE 4. RETIREMENT PLANS (CONTINUED)**

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:

	<b>1% Decrease</b> <b>(6.75%)</b>	<b>Current</b> <b>Discount Rate</b> <b>(7.75%)</b>	<b>1% Increase</b> <b>(8.75%)</b>
Cumberland County CERS	\$ 2,011,351	\$ 1,528,460	\$ 1,101,814

*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 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 with 27 or more years of service is \$140,516, in which \$61,215 is short-term and \$79,301 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 positions 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 positions 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 or more, including all workstations, and has a useful life of more than one year. 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.

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

**NOTE 6. CAPITAL ASSETS (CONTINUED)**

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		
<b>Governmental Assets</b>	<u>June 30, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2015</u>
<b>Cost</b>				
Land	\$ 175,321	\$ -	\$ -	\$ 175,321
Land Improvements	665,254	-	-	665,254
Buildings & Improvements	16,487,834	57,924	-	16,545,758
Technology Equipment	1,006,857	24,151	(149,837)	881,171
Other	626,323	5,300	-	631,623
Vehicles	1,492,285	178,778	-	1,671,063
<b>Totals at historical cost</b>	<u>\$ 20,453,874</u>	<u>\$ 266,153</u>	<u>\$ (149,837)</u>	<u>\$ 20,570,190</u>
<b>Less: Accumulated Depreciation</b>				
Land Improvements	388,708	18,522	-	407,230
Buildings & Improvements	4,545,820	576,698	-	5,122,518
Technology Equipment	923,199	49,423	(149,803)	822,819
Other	264,896	23,592	-	288,488
Vehicles	1,245,089	58,740	-	1,303,829
<b>Total accumulated depreciation</b>	<u>7,367,712</u>	<u>726,975</u>	<u>(149,803)</u>	<u>7,944,884</u>
<b>NET</b>	<u>\$ 13,086,162</u>	<u>\$ (460,822)</u>	<u>\$ (34)</u>	<u>\$ 12,625,306</u>
<b>Business Assets</b>				
<b>Cost</b>				
Buildings & Improvements	\$ 32,506	\$ -	\$ -	\$ 32,506
Technology Equipment	688	-	(688)	-
General Equipment	484,485	-	-	484,485
<b>Totals at historical cost</b>	<u>\$ 517,679</u>	<u>\$ -</u>	<u>\$ (688)</u>	<u>\$ 516,991</u>
<b>Less: Accumulated Depreciation</b>				
Buildings & Improvements	30,849	672	-	31,521
Technology Equipment	596	69	(665)	-
General Equipment	222,631	35,720	-	258,351
<b>Total accumulated depreciation</b>	<u>254,076</u>	<u>36,461</u>	<u>(665)</u>	<u>289,872</u>
<b>NET</b>	<u>\$ 263,603</u>	<u>\$ (36,461)</u>	<u>\$ (23)</u>	<u>\$ 227,119</u>

CUMBERLAND COUNTY SCHOOL DISTRICT  
 NOTES TO BASIC 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 Cumberland 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 issue 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>	<u>June 30, 2014</u>			<u>June 30, 2015</u>
				<u>Outstanding Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding Balance</u>
2007 Bonds	3,750,000	4/1/2027	3.75%-3.875%	2,955,000	-	175,000	2,780,000
2008 Bonds	4,895,000	6/1/2028	2.25%-4.0%	4,060,000	-	225,000	3,835,000
2011 QZAB	3,250,000	4/1/2026	5.30%	2,764,903	-	161,699	2,603,204
2013 Bond	1,705,000	4/1/2022	1.25%	1,505,000	-	180,000	1,325,000
<b>TOTAL</b>				<b>\$ 11,284,903</b>	<b>\$ -</b>	<b>\$ 741,699</b>	<b>\$ 10,543,204</b>

The District has entered into “participation agreements” with the School Facilities Commission. The Kentucky General Assembly created the Commission for the purpose of assisting local school districts in meeting school construction needs. The table on the following page, 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 amounts to be paid by the Commission. The Schedule of Total Bonded Debt Maturities follows on the following page.

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

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

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

YEAR	CUMBERLAND COUNTY SCHOOL DISTRICT		SCHOOL FACILITIES CONSTRUCTION		TOTAL
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
2016	\$ 664,794	\$ 221,174	\$ 96,905	\$ 49,067	\$ 1,031,940
2017	685,321	207,574	96,378	45,722	1,034,995
2018	699,822	193,093	91,877	42,304	1,027,096
2019	721,331	177,734	95,368	38,812	1,033,245
2020	737,659	161,388	99,040	35,141	1,033,228
2021	758,846	144,551	102,853	31,328	1,037,578
2022	774,886	126,771	106,813	27,368	1,035,838
2023	595,747	108,346	110,952	23,229	838,274
2024	616,448	91,527	115,251	18,929	842,155
2025	631,982	73,512	119,717	14,463	839,674
2026	1,476,858	54,882	124,356	9,824	1,665,920
2027	510,825	35,444	129,175	5,006	680,450
2028	380,000	15,200	-	-	395,200
<b>TOTAL</b>	<b>\$ 9,254,519</b>	<b>\$ 1,611,196</b>	<b>\$ 1,288,685</b>	<b>\$ 341,193</b>	<b>\$ 12,495,593</b>

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

<b><u>KISTA Issue</u></b>	<b><u>Original Amount</u></b>	<b><u>Maturity Dates</u></b>	<b><u>Interest Rates</u></b>	<b>2014</b>			<b>2015</b>
				<b><u>Outstanding Balance</u></b>	<b><u>Additions</u></b>	<b><u>Retirements</u></b>	<b><u>Outstanding Balance</u></b>
2005 Kista	129,563	3/1/2015	3.0%-3.625%	\$ 12,398	\$ -	\$ 12,398	\$ -
2006 Kista	134,034	3/1/2016	3.3%-4.0%	25,475	-	12,488	12,987
2009 Kista	154,745	3/1/2020	2.0%-3.6%	92,273	-	15,181	77,092
2012 Kista	167,952	3/1/2022	2.0-2.625%	130,773	-	15,879	114,894
2015 Kista	180,173	3/1/2025	1.0%-2.625%	-	180,173	-	180,173
<b>TOTAL</b>				<b>\$ 260,919</b>	<b>\$ 180,173</b>	<b>\$ 55,946</b>	<b>\$ 385,146</b>

**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:

**CUMBERLAND COUNTY SCHOOLS  
 SCHEDULE OF CAPITAL LEASE PAYMENTS  
 AS OF JUNE 30, 2015**

YEAR	CUMBERLAND COUNTY SCHOOL DISTRICT		TOTALS
	PRINCIPAL	INTEREST	
2016	\$ 64,248	\$ 8,774	\$ 73,022
2017	52,073	7,387	59,460
2018	50,479	6,382	56,861
2019	49,042	5,253	54,295
2020	50,199	4,075	54,274
2021	33,195	2,790	35,985
2022	33,990	2,051	36,041
2023	18,911	1,251	20,162
2024	16,298	826	17,124
2025	16,711	439	17,150
<b>TOTAL</b>	<b>\$ 385,146</b>	<b>\$ 39,228</b>	<b>\$ 424,374</b>

**NOTE 8. OPERATING FUND TRANSFERS**

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Matching	General	Special Revenue	KETS offer of Assistance	26,346
Operating	School Food Service	General	Indirect cost transfer	31,537
Operating	Building Fund	General	General operations	44,050
Operating	Building Fund	Debt Service	Bond Payments	666,176
Operating	Capital Outlay	General	Capital Funds Request	68,730
Operating	Capital Outlay	Debt Service	Bond Payments	38,977
Operating	General	Debt Service	KISTA Payments	252,485
			<b>Total Transfers</b>	<b>\$ 1,128,301</b>

**NOTE 9. DEFICIT OPERATING BALANCES**

There are no funds of the District that currently have a deficit fund balance/net positions. However, 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 positions:

Food Service	(\$110,404)
School Age Child Care	(\$7,105)
Capital Outlay Fund	(\$18,765)
Building Fund	(\$44,050)
Construction Fund	(\$67,840)

**NOTE 10. RISK MANAGEMENT**

**Liability Insurance Coverage**

The District is exposed to various risks related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District has commercial insurance through WRM-America. The District pays an annual premium for coverage.

**Health Care Coverage**

Full-time employees of the District are covered by the State administered medical insurance plan. The State contributes a variable amount to each employee's account based upon the employee's plan choice. Medical insurance coverage paid by the State on behalf of District employees has been recorded as a revenue and expenditure in the General Fund. Under COBRA, employers are mandated to notify Ceridian Benefits Services of terminated employees. Ceridian Benefit Services then notifies terminated employees of available continuing insurance coverage. Failure to notify Ceridian Benefits Services of employee terminations can put the District at risk of paying the premiums.

**Worker's Compensation**

The District participates with Kentucky School Boards Insurance Trust. Contributions to the Worker's 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.

**Unemployment Insurance**

The District obtains unemployment insurance coverage through the Kentucky Board of Education's Insurance Trust Unemployment Compensation Fund; however, the risk has not been transferred to such fund.

**NOTE 11. COMMITMENTS AND CONTINGENCIES**

**Litigation**

The Board of Education is the defendant in lawsuits arising principally in the normal course of operations. 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.

**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 did reflect this change in policy because Kentucky Department of Education directed to budget for on behalf payments.

**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 \$2,024,268. These payments were recorded as follows:

General Fund	\$	1,785,655
Debt Service		146,012
Food Service		92,601
	\$	<u>2,024,268</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 \$1,525,322 reduction in beginning net position on the Statement of Activities and an increase of \$204,164 of deferred outflows of resources – District contributions subsequent to the measurement date.

**CUMBERLAND 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)
<b>REVENUES</b>					
From local sources					
Taxes					
Property taxes	\$ 736,714	\$ 710,608	\$ 790,323	\$ 79,715	11.22%
Motor vehicle taxes	217,036	200,000	204,451	4,451	2.23%
Utility taxes	400,000	400,000	448,425	48,425	12.11%
Other taxes	177,000	166,000	208,206	42,206	25.43%
Earnings on investments	10,000	20,000	15,809	(4,191)	-20.96%
Other local revenues	136,700	133,611	224,402	90,791	67.95%
State Sources					
SEEK	4,108,931	4,051,092	4,051,092	-	0.00%
On Behalf	55,000	1,639,249	1,785,655	146,406	8.93%
Other	15,000	21,200	15,959	(5,241)	-24.72%
Federal-Indirect	30,000	-	31,058	31,058	100.00%
Other	-	300	12	(288)	-96.00%
Inter-fund transfers	37,613	69,329	144,317	74,988	108.16%
Beginning Balance	769,052	749,399	799,399	50,000	6.67%
<b>TOTAL REVENUES</b>	<b>6,693,046</b>	<b>8,160,788</b>	<b>8,719,108</b>	<b>558,320</b>	<b>6.84%</b>
<b>EXPENDITURES</b>					
Instructional	2,992,180	4,359,900	4,448,534	(88,634)	-2.03%
Student services					
Student	388,566	376,355	369,551	6,804	1.81%
Instructional staff	179,285	220,562	179,548	41,014	18.60%
District administrative	375,952	385,246	308,614	76,632	19.89%
School administrative	539,475	539,909	540,080	(171)	-0.03%
Business	342,196	534,587	476,601	57,986	10.85%
Plant operation and maintenance	697,889	705,294	743,430	(38,136)	-5.41%
Student transportation	488,961	663,513	549,436	114,077	17.19%
Community Services	950	611	776	(165)	-27.00%
Debt service	8,004	600	-	600	100.00%
Other	300	60	69	(9)	-15.00%
Inter-fund transfers	286,148	265,450	278,831	(13,381)	-5.04%
Contingency	393,140	159,701	-	159,701	100.00%
<b>TOTAL EXPENDITURES</b>	<b>6,693,046</b>	<b>8,211,788</b>	<b>7,895,470</b>	<b>316,318</b>	<b>3.85%</b>
<b>Excess (Deficit) of Revenues</b>					
<b>Over Expenditures</b>	<b>\$ -</b>	<b>\$ (51,000)</b>	<b>\$ 823,638</b>	<b>\$ 874,638</b>	<b>10.69%</b>

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.

**CUMBERLAND COUNTY SCHOOL DISTRICT**  
**SPECIAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**

For the year ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>	<u>Variance % Favorable (Unfavorable)</u>
<b>REVENUES</b>					
From local sources					
Earnings on investments	\$ -	\$ -	\$ 36	\$ 36	100.00%
Other local revenues	21,064	15,961	3,261	(12,700)	-79.57%
Intergovernmental - state	409,493	475,670	447,671	(27,999)	-5.89%
Intergovernmental - Federal	1,023,841	1,697,667	1,401,392	(296,275)	-17.45%
Inter-fund transfers	104,423	109,345	26,346	(82,999)	-75.91%
<b>TOTAL REVENUES</b>	<u>1,558,821</u>	<u>2,298,643</u>	<u>1,878,706</u>	<u>(419,937)</u>	<u>-18.27%</u>
<b>EXPENDITURES</b>					
Instructional	1,106,953	1,552,726	1,390,281	162,445	10.46%
Student services:					
Student	10,000	8,000	7,438	562	7.03%
Instructional staff	278,201	524,132	389,767	134,365	25.64%
Student transportation	8,551	22,666	11,677	10,989	48.48%
Community services	77,693	83,468	79,543	3,925	4.70%
Inter-fund transfers	77,423	107,651	-	107,651	100.00%
<b>TOTAL EXPENDITURES</b>	<u>1,558,821</u>	<u>2,298,643</u>	<u>1,878,706</u>	<u>419,937</u>	<u>18.27%</u>
<b>Excess (Deficit) of Revenues</b>					
<b>Over Expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>0.00%</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 CUMBERLAND COUNTY DISTRICT'S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY**

**Kentucky Teachers Retirement Systems**

Last 10 Fiscal Years\*

(Dollar amounts in thousands)

	<u><b>2014</b></u>
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	30,951
Total	<u>\$ 30,951</u>
District's covered-employee payroll	\$ 4,362
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 CUMBERLAND 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	185
Contributions in relation to the	
Contractually required contribution	<u>(185)</u>
Contribution deficiency (excess)	<u>\$ -</u>
 District's covered-employee payroll	 \$ 4,362
 Contributions as a percentage of covered- employee payroll	 4.24%

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

	<b>2014</b>
District's proportion of the net pension liability (asset)	0.371%
District's proportionate share of the net pension liability (asset)	\$ 1,528
State's proportionate share of the net pension liability (asset) associated with the District	-
<b>Total</b>	<b>\$ 1,528</b>
 District's covered-employee payroll	\$ 1,235
District's proportionate share of the net pension liability (asset as a percentage of its covered-employee payroll)	123.72%
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 CUMBERLAND COUNTY DISTRICT'S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY  
County Retirement Systems  
Last 10 Fiscal Years\*  
(Dollar amounts in thousands)**

	<b>2014</b>
Contractually required contributions	194
Contributions in relation to the Contractually required contribution	(194)
Contribution deficiency (excess)	\$ -
 District's covered-employee payroll	 \$ 1,235
 Contributions as a percentage of covered- employee payroll	 15.71%

\* 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.

**CUMBERLAND COUNTY SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS**

As of June 30, 2015

	Capital Outlay Fund	Building Fund	Construction Fund	Total Non-Major Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ -	\$ 53,430	\$ 53,430
<b>Total assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,430</u>	<u>\$ 53,430</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>	-	-	-	-
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances</b>				
Restricted:				
Future Construction	\$ -	\$ -	\$ 53,430	\$ 53,430
<b>Total fund balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,430</u>	<u>\$ 53,430</u>

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

For the year ended June 30, 2015

<b>Revenues</b>	<u>Capital Outlay Fund</u>	<u>Building Fund</u>	<u>Construction Fund</u>	<u>Total Non-major Govt. Funds</u>
From local sources				
Property taxes	\$ -	\$ 344,778	\$ -	\$ 344,778
Earnings on Investment	-	-	449	449
State sources				
SEEK	88,942	321,398	-	410,340
<b>Total revenues</b>	<u>88,942</u>	<u>666,176</u>	<u>449</u>	<u>755,567</u>
<b>Expenditures</b>				
Facilities acquisition and construction	-	-	68,289	68,289
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>68,289</u>	<u>68,289</u>
<b>Excess (deficit) of revenues over expenditures</b>	<u>88,942</u>	<u>666,176</u>	<u>(67,840)</u>	<u>687,278</u>
<b>Other Financing Sources (Uses)</b>				
Operating transfers out	(107,707)	(710,226)	-	(817,933)
<b>Total other financing sources (uses)</b>	<u>(107,707)</u>	<u>(710,226)</u>	<u>-</u>	<u>(817,933)</u>
<b>Net change in fund balances</b>	(18,765)	(44,050)	(67,840)	(130,655)
<b>Fund balance, July 1, 2014</b>	<u>18,765</u>	<u>44,050</u>	<u>121,270</u>	<u>184,085</u>
<b>Fund balance, June 30, 2015</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,430</u>	<u>\$ 53,430</u>

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

Individual Funds	Cash Balance June 30, 2014	Receipts	Disburse- ments	Transfers In (Out)	Ending Cash and Fund Balance June 30, 2015
General	\$ 2,938	\$ 4,898	\$ (6,331)	\$ 281	\$ 1,786
Book	17	-	-	-	17
Library	45	15	(25)	-	35
Concessions	9,994	4,522	(5,642)	-	8,874
Flowers	2,454	911	(2,071)	-	1,294
Donation Fund	114	93	(54)	-	153
Student Rewards	3,239	154	(521)	-	2,872
21st Century	1,269	235	(145)	-	1,359
Beta	4,279	6,005	(5,488)	-	4,796
FCCLA	1,136	3,646	(5,443)	758	97
FFA Club	1,692	19,058	(19,016)	(300)	1,434
Drama Club	597	-	(253)	-	344
STLP	25	136	(116)	-	45
FBLA	3,955	3,083	(3,560)	-	3,478
Academic Team	2,925	2,000	(1,241)	(159)	3,525
FCS Culinary	636	7,949	(7,911)	(279)	395
FCA	27	-	-	-	27
Vocational Agriculture	12,650	18,997	(18,307)	-	13,340
Industrial Tech	488	1,157	(2,007)	362	-
Art	58	1,250	(1,250)	-	58
English	805	427	(442)	-	790
Biology	724	-	-	-	724
Spanish	1,298	90	(193)	-	1,195
Special Education	340	-	-	-	340
Book Club	36	1,177	(1,121)	-	92
Athletic	48,957	35,308	(39,005)	(100)	45,160
Cheerleading	537	-	-	-	537
Athletic Booster Club	8,850	30,805	(32,552)	-	7,103
Seniors 2015	499	1,500	(1,670)	(329)	-
Seniors 2016	-	2,625	(1,970)	(20)	635
Yearbook	13,437	4,760	(4,377)	-	13,820
Guidance	90	716	(98)	(214)	494
Lewis Williams AC	3,435	-	-	-	3,435
Total	<u>\$ 127,546</u>	<u>\$ 151,517</u>	<u>\$ (160,809)</u>	<u>\$ -</u>	<u>118,254</u>

**CUMBERLAND 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	Cash Balance June 30, 2014	Receipts	Disburse- ments	Cash Balance And Fund Balance June 30, 2015
Cumberland County				
Elementary School	\$ 37,801	\$ 101,016	\$ (92,319)	\$ 46,498
Middle School	73,124	71,390	(77,931)	66,583
Family Resource Savings	12,093	91	-	12,184
Family Resource Center	28,810	11,557	(9,140)	31,227
Total	<u>\$ 151,828</u>	<u>\$ 184,054</u>	<u>\$ (179,390)</u>	<u>\$ 156,492</u>

**CUMBERLAND COUNTY PUBLIC SCHOOLS**  
**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>Expenditures</u>	<u>Total By CFDA No.</u>
<b>U. S. DEPARTMENT OF AGRICULTURE</b>		<b>Cluster</b>		
<i>Passed Through Kentucky Department of Education:</i>				
<u>Child Nutrition Cluster</u>				
School Breakfast Program	203X	10.553	\$ 145,709	
National School Lunch Program	205X	10.555	386,088	
Summer Food Program	205X	10.559	6,588	\$ 538,385 **
<i>Passed Through Kentucky Department of Agriculture:</i>				
<u>Food Distribution Cluster</u>				
Commodity Supplemental Food Program	201X	10.565	35,489	35,489
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>				<u>573,874</u>
<b>U. S. DEPT. OF EDUCATION</b>				
<i>Passed Through Kentucky Department of Education:</i>				
Adult Education- Basic	373X	84.002	18,600	
Adult Education - Prof/Staff Development	373XS	84.002	139	
Recruitment, Retention and Results	365X	84.002	5,926	24,665
<u>Title I Cluster</u>				
Title I - Part A - Improving Basic Programs	310X	84.010	697,719	
Title I - Parent Involvement	310XM	84.010	2,072	699,791
Title I - Migrant Education	311X	84.011	7,438	7,438
<u>Special Education Cluster</u>				
IDEA B - BASIC	337X	84.027	192,792	
IDEA B - Preschool-Special Education Cluster	343X	84.173	13,110	205,902
Perkins Carry Forward	348XA	84.048	627	
Perkins	348XA	84.048	13,834	14,461
Title I - Homeless Children and Youth	316X	84.196	7,935	7,935
21st Century Community Learning Center - Elementary School	550XE	84.287	81,316	
21st Century Community Learning Center - Middle School	550XC	84.287	65,917	
21st Century Community Learning Center - High School	550X	84.287	104,785	
21st Century Community Learning Center -Multi State Conference	550XJ	84.287	807	
21st Century Community Learning Center - Summer Program	550XU	84.287	21,132	
21st Century Community Learning Center - Summer Program	550XZ	84.287	11,222	285,179
Title VI: Rural Education	350X	84.358	20,744	20,744
Race To The Top	452X	84.413A	1,372	1,372
<i>Passed through Berea College</i>				
Gear Up-Acad Special Salary	379XA	84.334A	48,417	
Gear Up-Work Plan Budget	379XG	84.334A	53,131	
Gear Up-Regional Expenses	379XR	84.334A	1,155	102,703 **
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>				<u>1,370,190</u>
<b>APPALACIAN REGIONAL COMMISSION</b>				
<i>Passed through Morehead State University</i>				
Appalachian Higher Education Network (KY AHED)	688X	23.011	3,261	3,261
<b>U.S. DEPARTMENT OF LABOR</b>				
<i>Under contract with Lake Cumberland Area Development District</i>				
Workforce Investment Act	588X	17.259	27,941	27,941
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>				<u>\$ 1,975,266</u>

*Tested as Major Program or Cluster \*\**

**CUMBERLAND COUNTY SCHOOL DISTRICT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the fiscal year ended June 30, 2015

**NOTE A. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal activity of the Cumberland 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 PROGRAM**

Non-monetary assistance is reported in the Schedule at the fair value of the commodities received. The USDA provided \$35,489 of commodities during the year.

**CUMBERLAND COUNTY SCHOOL DISTRICT**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the fiscal year ended June 30, 2015

Section 1. Summary of Auditor's Findings

**Financial statements:**

Type of auditor's report issued: unmodified

Internal control over financial reporting Yes No

- Material weaknesses identified? X
- Significant deficiencies identified that are not considered to be material weaknesses? X None Reported
- Noncompliance material to financial statements noted? X

**Federal Awards:**

Internal control over major programs Yes No

- 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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster
84.334A	Gear Up

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

Section 2. Financial Statement Findings

Current Year Findings: No matters were reported

Prior Year Findings: No matters were reported

Section 3. Federal Awards Findings and Questionable Costs

Current Year Findings: No matters were reported

Prior Year Findings: No matters were reported

**CUMBERLAND COUNTY SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

Year ended June 30, 2015

Prior Year Comments:

None Noted

# ROSS & COMPANY, PLLC

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**Telephone (502) 499-9088**  
**Facsimile (502) 499-9132**

Members of the Board  
Cumberland County School District  
Burkesville, Kentucky

<p><b>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</b></p>
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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 and 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 Cumberland County School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Cumberland County School District's basic financial statements, and have issued our report thereon dated November 11, 2015.

## **Internal Control over Financial Reporting**

In planning and performing our audit, we considered Cumberland 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cumberland County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cumberland 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 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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weakness may exist that have not been identified.

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

We noted certain matters that we reported to management of Cumberland County School District in a separate letter dated November 11, 2015.

**Cumberland County School District's Response to Findings**

Cumberland County School District's response to the findings identified in our audit are described in the Recommendations and Comments to Management. Cumberland 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 controls 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 controls and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,



Ross and Company, PLLC  
November 11, 2015

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

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Cumberland 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 No. A-133, *Audits of States, Local Governments, and Non-Profit Organization*, 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 Cumberland County School District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

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)

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

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

**Report Internal Control over Compliance**

Management of Cumberland County School District is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Cumberland County School District's internal control over compliance with the types requirements that could have a direct and material effect on a major federal program to determine our auditing procedures that are appropriate in the circumstance for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Cumberland 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 the 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 that we consider 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 the 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 11, 2015

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**RECOMMENDATIONS AND COMMENTS TO MANAGEMENT**

In planning and performing our audit, we considered Cumberland 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 Cumberland County School District's internal control over financial reporting.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the District's internal control in our report dated November 11, 2015. This letter does not affect our report dated November 11, 2015, on the financial statements of the Cumberland County School District. The conditions observed are as follows:

**Current Year Findings –**

2015-01      Student Activity Funds Used For Instructional Supplies

*Statement of Condition:*    Instructional supplies were paid through Student Activity Funds.

*Criteria for Condition:*    School activity funds shall not be used to pay for basic routine operating expenses, including instructional supplies per Accounting Procedures for Kentucky School Activity Funds, "Redbook."

*Cause of the Condition:*    Textbooks and PAS assessments were purchased with Student Activity Funds

*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.

*Recommendation for  
Correction:*

District Activity Funds should be used for operational and instructional expenses when prohibited.

*Management Response:*    School personnel have been provided training (November 2015) by Ron Flannery for proper purchasing procedures as provided in Redbook. Random review of activity fund purchases will be made by the District Finance Officer to ensure proper Redbook procedures are documented.

CUMBERLAND COUNTY SCHOOL DISTRICT  
RECOMMENDATIONS AND COMMENTS TO MANAGEMENT  
(Continued)

2015-02      Snack sales should be remitted to the Treasurer on date of event

*Statement of Condition:*    Snack sales are collected over a week span before being remitted to Treasurer.

*Criteria for Condition:*    All money collected by a teacher or sponsor shall be given to the school treasurer on the day collected or, if the money is collected after school business hours for evening or weekend events, on the next business day per Accounting Procedures for Kentucky School Activity Funds, "Redbook."

*Cause of the Condition:*    Snack sales were collected over a span of time and not remitted to the treasurer on date of collection.

*Effect of the Condition:*    Money was not remitted daily to treasurer.

*Recommendation for Correction:*                    The Concession form must be completed for each event and time money is collected from the activity. There shall be two different individuals involved: one individual to collect and count the monies from sales and a separate individual to complete the Inventory Control Worksheet (F-SA-5).

*Management Response:*    School personnel have been provided training for proper use of all forms as well as cash receipts and disbursement rules according to Redbook procedures.

2015-03      Local Grant Money was receipted into School Activity Funds

*Statement of Condition:*    A grant was awarded to Cumberland County Ag Department and receipted in the Student Activity Funds.

*Criteria for Condition:*    No grant monies shall be deposited in the school activity fund as they must be handled through the central office bank account per Accounting Procedures for Kentucky School Activity Funds, "Redbook."

*Cause of the Condition:*    A grant was awarded for the purchase of textbooks and receipted through Student Activity Funds.

*Effect of the Condition:*    Grant money was not tracked at the District level.

*Recommendation for Correction:*                    All grant money must be receipted at the District level for proper tracking and recording.

*Management Response:*    All future grant amounts will be accounted for at the district level. School personnel will be presented documentation on proper procedures for depositing grant monies.

CUMBERLAND COUNTY SCHOOL DISTRICT  
RECOMMENDATIONS AND COMMENTS TO MANAGEMENT  
(Continued)

2015-04      Gift Cards were purchased with Student Activity Funds

*Statement of Condition:*    Gift Cards were purchased with Student Activity Funds.

*Criteria for Condition:*    Gift cards are disallowed expenditures per Accounting Procedures for Kentucky School Activity Funds, "Redbook."

*Cause of the Condition:*    Gift cards were purchased through a third party.

*Effect of the Condition:*    Gift cards can be abused and are disallowed expenditures.

*Recommendation for*

*Correction:*                    Gift cards should not be purchased with Student Activity Funds.

*Management Response:*    School personnel have been provided training on the proper use of school activity funds. Gift card purchases will not be allowed in future years.

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

**Prior year comments-**

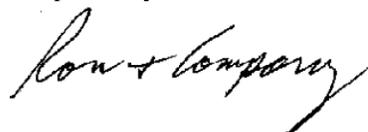
2014-01: Deposits over \$100: (CORRECTED)

2014-02 Snack sales should be remitted to the Treasurer on date of event: (REPEAT)

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.

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

Respectfully Submitted,



Ross & Company, PLLC  
November 11, 2015