

**ELLIOTT COUNTY
SCHOOL DISTRICT**

**AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES**

For the year ended June 30, 2015

Prepared by:

WHITE & ASSOCIATES, PSC
CERTIFIED PUBLIC ACCOUNTANTS
1407 Lexington Road
Richmond, Kentucky 40475
Phone (859) 624-3926 Fax (859) 625-0227

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT	1-3
MANAGEMENT DISCUSSION AND ANALYSIS	4-12
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Position.....	13
Statement of Activities.....	14
Fund Financial Statements:	
Balance Sheet-Governmental Funds.....	15
Reconciliation of the Balance Sheet- Governmental Funds to the Statement of Net Position.....	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	18
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - General Fund	19
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Special Revenue Fund.....	20
Statement of Fund Net Position – Proprietary Fund.....	21
Statement of Revenues, Expenses and Change in Fund Net Position – Proprietary Funds.....	22
Statement of Cash Flows – Proprietary Fund.....	23
Statement of Fiduciary Net Position – Fiduciary Funds.....	24
Notes to the Financial Statements.....	25-47
REQUIRED SUPPLEMENTAL INFORMATION	
Schedule of the District’s Proportionate Share of the Net Pension Liability.....	48
Schedule of Contributions.....	49
Notes to Required Supplementary Information.....	50
SUPPLEMENTAL INFORMATION	
Combining Statements – Non-Major Funds and Other:	
Combining Balance Sheet – Nonmajor Governmental Funds	51

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-major Governmental Funds.....	52
Combining Balance Sheet of Fiduciary Fund – School Activity Funds.....	53
Combining Statement of Revenues, Expenses, and Changes in Fund Balance - School Activity Funds.....	54
Statement of Revenues, Expenses, and Changes in Fund Balance - Elliott County High School.....	55
Notes to the Schedule of Expenditures of Federal Awards.....	56
Schedule of Expenditures of Federal Awards.....	57
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 <i>GOVERNMENT AUDITING STANDARDS</i>.....	58-59
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133.....	60-61
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	62
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS.....	63



CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Elliott County Board of Education and
State Committee for School District Audits
Sandy Hook, Kentucky

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

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 *Auditor Responsibilities* and *State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

and the aggregate remaining fund information of the District, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows, and the respective budgetary comparison schedules for the General Fund and Special Revenue Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note Q to the financial statements, in 2015, the District adopted new accounting guidance, GASB *Statement No. 68, Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the district's proportionate share of the net pension liability, and schedule of contributions information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The additional supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The additional supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2015, on our consideration of the 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 the District's internal control over financial reporting and compliance.

White & Associates, P.C.

Richmond, Kentucky
November 13, 2015

ELLIOTT COUNTY PUBLIC SCHOOL DISTRICT
SANDY HOOK, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015

As management of the Elliott County School 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 General Fund balance for the District was \$103,852 and ending with \$222,250.
- The district gave a 1% raise to certified staff and classified staff for the period of July 1, 2014 – June 30, 2015.
- The General Fund had \$8.38 million in revenue, which primarily consisted of the SEEK program, property, utility and motor vehicle taxes. There were \$8.28 million expenditures in General Fund.
- The Board utilized the option provided in House Bill 269 to use Capital Outlay fund for maintenance and property insurance expenditures in the amount of \$30,831.
- The Board reviewed their bus fleet rotation schedule and chose not to purchase any new buses.
- Bonds are issued as the district renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations.
- Bonds were sold in January 2015 to finance a roof replacement at the Elliott County High School Complex in the amount of \$395,000. The School Facilities Construction Commission (SFCC) is participating in 100% of the debt service of the bonds.
- Bonds were sold in September 2014 to finance a Maintenance truck and a Transportation truck in the amount of \$61,793.
- The Elliott County School District continues to utilize computers as a result of a grant from the Kentucky Department of Commercialization. The computers are used to speed drug discovery research. The computers do double duty as a part of the Kentucky Dataseam Initiative, a state wide program that makes school computers available to the James Graham Brown Cancer Center of University of Louisville.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

The current year's financial statements have been adjusted as a result of implementing GASB 68. The district looks forward to offering comparative data in the future.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

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

Table 1
Net Position (in Millions)

	Governmental		Business-type		Total		Total Percentage Change 2014-2015
	Activities		Activities		School District		
	2014	2015	2014	2015	2014	2015	
Assets:							
Current and Other Assets	1.19	0.57	0.01	0.11	1.20	0.68	-42%
Capital Assets	21.61	22.75		.02	21.61	22.77	5%
Total Assets	22.80	23.32	0.01	0.13	22.81	23.45	3%
Deferred Outflows	0.09	0.27		0.01	0.09	0.28	
	0.09	0.07	0.00	0.01	0.09	0.28	
Liabilities:							
Current Liabilities	1.00	1.11			1.00	1.11	12%
Noncurrent Liabilities	12.73	13.94		0.06	12.73	14.00	10%
Total Liabilities	13.73	15.05	0.00	0.06	13.73	15.11	10%
Deferred Inflows	0.00	.18			0.00	0.18	
Net Position:							
Invested in Capital Assets							
Net of Debt	8.46	9.90			8.46	9.90	17%
Restricted	0.99	0.17	0.01	0.08	1.00	0.25	-77%
Unrestricted Net Position	-0.29	-1.71			-0.29	-1.71	490%
Total Net Position	9.16	8.36	0.01	0.08	9.17	8.44	-8%

Changes in Net Position (in millions)								
		Governmental Activities		Business-Type Activities		Total School District		Total Percent Change <u>2014- 2015</u>
		<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	
Revenues:								
	Charges for services	\$ 0.18	\$ 0.02	\$ 0.05	\$ 0.05	\$ 0.23	\$ 0.07	-65%
	Operating grants and contributions	1.42	4.05	0.76	.81	2.18	4.86	272%
	Capital grants and contributions	0.90	0.91			0.90	.91	102%
	General revenues	7.90	7.28	(0.03)	(0.03)	7.87	7.25	-8%
	Total revenue	10.40	12.26	0.78	.83	11.18	13.09	54%
Expenses:								
	Instruction	5.81	6.67			5.81	6.67	15%
	Student	0.15	0.15			0.15	0.15	0%
	Instructional staff	0.24	0.27			0.24	0.27	13%
	District administration	0.37	0.57			0.37	0.57	54%
	School administration	0.42	0.41			0.42	0.41	-2%
	Business	0.41	0.40			0.41	0.40	-2%
	Plant operation & maintenance	0.90	0.81			0.90	0.81	-10%
	Student transportation	0.85	0.74			0.85	0.74	-13%
	Land Improvements	-	-			-	-	0%
	Facilities acquisition and construction	0.11	-			0.11	-	100%
	Community services operations	0.19	0.21			0.19	0.21	11%
	Amortization	0.02	0.02			0.02	0.02	0%
	Depreciation	0.71	0.64			0.71	0.64	-10%
	Interest on long-term debt	0.34	0.49			0.34	0.49	0.49
	Debt service	-	-			-	-	0%
	Food Service Operations	-	-	0.79	0.79	0.79	0.79	0%
	Extraordinary Item	0.10	-			0.10	-	-100%
	Total Expenses	\$ 10.62	\$ 11.38	\$ 0.79	\$ 0.79	\$ 11.41	\$12.17	7%
Change in net position		\$ (0.22)	\$ 0.88	\$ (0.01)	\$ 0.04	\$ (0.23)	\$.92	2309%

DEBT

Debt decreased from 2014 by .40 million. Please see table below.

		Outstanding Debt at Year-End (in Millions)	
		Government Activities	
		2014	2015
Capital Lease Obligations	\$	0.65	\$ 0.54
General Obligation Bonds		<u>12.59</u>	<u>12.30</u>
Total Obligations	\$	<u>13.24</u>	\$ <u>12.84</u>

CAPITAL ASSETS

At the end of fiscal 2015, the District had \$22.77 million invested in capital assets, including land, improvements, and construction in progress.

Capital Assets at Year-End
(Net of depreciation)

	Governmental Activities		Business Type Activities		Totals	
	2014	2015	2014	2015	2014	2015
Land	0.45	0.45	-	-	0.45	0.45
Land and Improvements	0.10	0.08	-	-	0.10	0.08
Buildings & Improvements	20.00	21.31	-	-	20.00	21.31
Technology Equipment	-	-	-	-	-	-
Vehicles	0.57	0.50	-	-	0.57	0.50
General Equipment	0.11	0.10	0.01	0.02	0.12	0.12
Construction In Progress	0.37	0.31	-	-	0.37	0.31

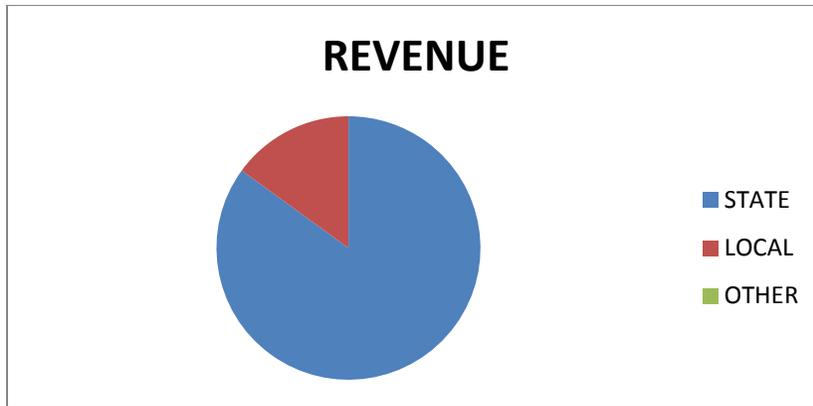
Comments on Budget Comparisons

Actual revenues and expenditures for the General Fund contain \$1.72 million dollars in payments made on-behalf of the District by the State of Kentucky. Our District will remain conservative in future budgets because of the current economic climate. The following table presents a summary of revenue and expense for the fiscal year ended June 30, 2015.

REVENUE	Fund 1	Fund 2	Fund 310	Fund 320	Fund 360	Fund 400	Fund 51
Local Revenue Sources	1.25	0.05	-	0.10	0.52	0.55	0.06
State Revenue Sources	7.10	0.48	0.97	0.26	-		0.10
Federal Revenue Sources	0.03	0.99	-	-	-		
Other	0.01	-	-	-	0.40		
Transfers	0.07	0.02		-	-	0.48	0.71
TOTALS	8.46	1.54	0.97	0.36	0.92	1.03	0.87
EXPENDITURES	Fund 1	Fund 2	Fund 310	Fund 320	Fund 360	Fund 400	Fund 51
Instruction	4.80	1.11	-	-	-	-	-
Student Support Services	0.15	0.01	-	-	-	-	-
Instructional Staff Support Services	0.10	0.17	-	-	-	-	-
District Admin Support	0.57	-	-	-	-	-	-
School Admin Support	0.42	-	-	-	-	-	-
Business Support Services	0.38	0.02	-	-	-	-	-
Plant Operation & Management	0.84	0.04	-	-	-	-	-
Student Transportation	0.79	0.01	-	-	-	-	-
Food Service Operations	-	0.01	-	-	-	-	0.81
Community Services	0.03	0.17	-	-	-	-	-
Debt Service	0.19	-	-	-	-	1.03	-
Site Improvement	-	-	-	-	1.64	-	-
Transfers	0.07	-	0.97	0.36	-	-	0.04
TOTALS	8.34	1.54	0.97	0.36	1.64	1.03	0.85
Excess / (Deficit)	0.12	-	-	-	(0.72)	-	0.02

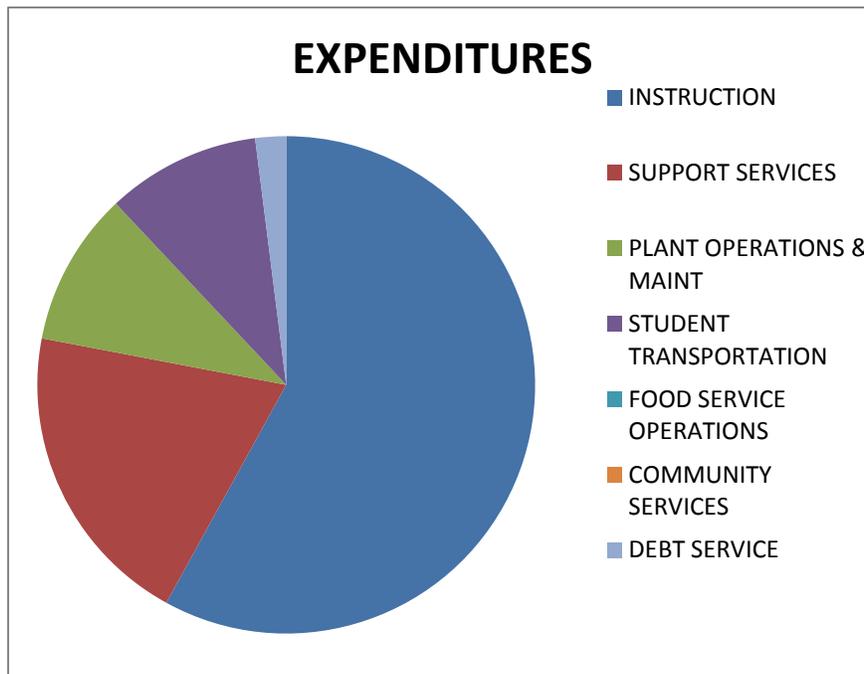
General Fund Revenue Chart 1

The majority of revenue was derived from state funding (85%), with local taxes making up 15% of total revenue.



General Fund Expenditures Chart 2

The majority of revenue is spent on instructional expenditures. This consumes 58% of the budget. The instruction function included the SBDM expenditures for staff and supplies. Support services make up 20%, which includes services for students, instructional staff, district administration, school administration and business. Plant operations and management makes up 10%. The student transportation makes up 10%. Debt Service is 2%. Food Service operations and community services make up less than one percent.



Special Revenue Fund Revenue/Expenditures

The majority of revenue was derived from Federal Sources (65 %) with the state revenue making up 32% and local source providing 3%. The function with the greatest expenditures is instruction being 72%.

Other Governmental Funds Revenue/Expenditures

The main other governmental funds are capital outlay fund, and building fund (FSPK). State funding makes up the capital outlay and the building fund consists of state and local revenues. During the FY15 school year these funds were used to make bond payments on existing debt, with the exception of \$30,832 which was spent on maintenance and property insurance as approved per HB 267.

School Food Service Fund Revenue/Expenditures

The revenue is received from local, state, and federal monies. The largest being federal which makes up 87% of the budget.

BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district overall budget. By law the budget must have a minimum 2% contingency. The beginning General fund balance for the fiscal year was \$103,852. The ending fund balance was \$222,250.

Elliott County Public Schools continued to receive the Read To Achieve grant. It has continued to provide support teachers in the implementation of instructional strategies to address the needs of students reading at low levels at the Isonville Elementary and Lakeside Elementary. The Math Achievement grant provided funds for support teachers and the implementation of services that address the needs of students who are struggling with math. Its impact involved Isonville Elementary, Sandy Hook Elementary and Lakeside Elementary.

Questions regarding this report should be directed to the Superintendent C. Thomas Potter II, Ed.D. or Kelley Deerfield, Finance Officer at 606-738-8002 or by mail at Elliott County Board of Education, PO Box 767, Sandy Hook, KY 41171.

Elliott County School District
Statement of Net Position
June 30, 2015

	Primary Government		
	Governmental Activities	Business- type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 460,003	\$ 106,923	\$ 566,926
Receivables (net)	110,076	30	110,107
Inventories		9,025	9,025
Capital assets:			
Land, improvements, and construction in progress	758,650		758,650
Other capital assets, net of depreciation	21,989,467	21,569	22,011,036
Total capital assets	22,748,117	21,569	22,769,686
Total assets	23,318,197	137,547	23,455,744
DEFERRED OUTFLOWS OF RESOURCES			
District pension contributions subsequent to the measurement date	203,273	6,462	209,735
Deferred savings from refunding bonds	71,293		71,293
Total deferred outflows of resources	274,566	6,462	281,028
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	23,592,763	144,009	23,736,772
LIABILITIES			
Accounts payable and accrued expenses	70,880	3,276	74,156
Accrued interest payable	100,457		100,457
Unearned revenue	93,560		93,560
Long-term liabilities:			
Due within 1 year:			
Bond obligations	685,000		685,000
Capital lease obligations	130,519		130,519
Sick leave	8,069		8,069
KSBIT payable	17,338		17,338
Total due within 1 year	840,926	-	840,926
Due in more than 1 year:			
Bond obligations	11,615,000		11,615,000
Capital lease obligations	410,292		410,292
KSBIT payable	202,542		202,542
Sick leave	120,484		120,484
Net pension liability	1,592,054	61,946	1,654,000
Total due in more than 1 year	13,940,372	61,946	14,002,318
Total liabilities	15,046,196	65,222	15,111,418
DEFERRED INFLOWS OF RESOURCES			
Net difference between projected and actual earnings on pension plan investments	178,071	6,929	185,000
Net Investment in capital assets	9,907,306	21,569	9,928,875
Restricted for:			
Arts	100,615		100,615
Capital projects	74,705		74,705
Food services		50,290	50,290
Deficit	(1,714,131)		(1,714,131)
Total net position	8,368,496	71,858	8,440,354
TOTAL LIABILITIES DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 23,592,763	\$ 144,009	\$ 23,736,772

See the accompanying notes to the financial statements.

Elliott County School District
Statement of Activities
Year Ended June 30, 2015

Functions/Programs	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		
					<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
PRIMARY GOVERNMENT:							
Governmental activities:							
Instruction	\$ 6,673,040	\$ 500	\$ 2,783,213	\$ -	\$ (3,889,327)		\$ (3,889,327)
Support Services							
Student	146,326		52,072		(94,254)		(94,254)
Instructional Staff	266,916		94,986		(171,930)		(171,930)
District Administration	567,154		201,830		(365,324)		(365,324)
School Administration	412,618		146,836		(265,782)		(265,782)
Business	406,817		144,772		(262,045)		(262,045)
Plant Operation & Maintenance	808,539		287,731	355,948	(164,861)		(164,861)
Student Transportation	735,699	25,000	261,809		(448,890)		(448,890)
Food Service Operations	10,150		3,612		(6,538)		(6,538)
Community Services Operations	208,456		74,182		(134,274)		(134,274)
Amortization	22,648				(22,648)		(22,648)
Depreciation	639,219				(639,219)		(639,219)
Interest on long-term debt	486,079			552,715	66,636		66,636
Total governmental activities	<u>11,383,661</u>	<u>25,500</u>	<u>4,051,043</u>	<u>908,663</u>	<u>(6,398,455)</u>		<u>(6,398,455)</u>
Business-type activities:							
Food service operations	792,407	55,358	814,505			\$ 77,455	77,455
Depreciation	1,914					(1,914)	(1,914)
Total business-type activities	<u>794,321</u>	<u>55,358</u>	<u>814,505</u>	<u>-</u>	<u>-</u>	<u>75,542</u>	<u>75,542</u>
Total primary government	<u>\$ 12,177,982</u>	<u>\$ 80,858</u>	<u>\$ 4,865,548</u>	<u>\$ 908,663</u>	<u>(6,398,455)</u>	<u>75,542</u>	<u>(6,322,913)</u>
General revenues:							
Taxes:							
Property taxes					735,916		735,916
Motor vehicle taxes					163,437		163,437
Utility taxes					319,871		319,871
State and formula grants					5,332,643		5,332,643
Sale of equipment					13,856		13,856
Other local revenue					674,628		674,628
Unrestricted investment earnings					5,891	150	6,042
Transfers					35,000	(35,000)	-
Total general revenues and transfers					<u>7,281,242</u>	<u>(34,850)</u>	<u>7,246,392</u>
Change in net position					882,787	40,692	923,479
Net Position - beginning					9,074,910	93,001	9,167,912
Prior period adjustment					(1,589,201)	(61,835)	(1,651,036)
Restated net position - beginning					<u>7,485,709</u>	<u>31,166</u>	<u>7,516,876</u>
Net Position - ending					<u>\$ 8,368,496</u>	<u>\$ 71,858</u>	<u>\$ 8,440,354</u>

See the accompanying notes to the financial statements.

Elliott County School District
Balance Sheet
Governmental Funds
June 30, 2015

	Governmental Funds						
	General	Special Revenue	Construction	Debt Service	Permanent	Other Governmental Funds	Total
ASSETS							
Cash and cash equivalents	\$ 215,252	\$ 69,431	\$ 74,705	\$ -	\$ 100,615	\$ -	\$ 460,003
Receivables, net							
Taxes-current	33,044						33,044
Taxes-delinquent	1,730						1,730
Accounts	43,095	6,037					49,131
Intergovernmental-federal	5,659	20,513					26,171
Total assets	298,779	95,980	74,705	-	100,615	-	570,079
LIABILITIES							
Accounts payable and accrued expenses	68,460	2,420					70,880
Sick leave payable	8,069						8,069
Unearned revenue		93,560					93,560
Total liabilities	76,529	95,980	-	-	-	-	172,509
FUND BALANCE							
Nonspendable					100,000		100,000
Restricted			74,705		615		75,320
Unassigned	222,250						222,250
Total fund balance	222,250	-	74,705	-	100,615	-	397,570
TOTAL LIABILITIES AND FUND BALANCE	\$ 298,779	\$ 95,980	\$ 74,705	\$ -	\$ 100,615	\$ -	\$ 570,079

See the accompanying notes to the financial statements.

Elliott County School District
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position
June 30, 2015

Fund balances-total governmental funds	\$	397,570
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.</p>		22,748,117
<p>Costs associated with bond issues and refundings are expensed in the fund financial statements because they are a use of current financial resources but are capitalized on the statement of net position using the economic resources focus</p>		71,293
<p>Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, accrued interest payable, other accounts payable, and net pension obligations) are not due and payable in the current period and, therefore, are not reported in the funds</p>		
Accrued interest payable		(100,457)
Bonds and capital obligations		(12,840,811)
KSBIT payable		(219,880)
Sick leave liability		(120,484)
Net pension liability		(1,592,054)
<p>Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds</p>		
Deferred outflows of resources related to employer 2015 contributions to pensions		203,273
Deferred inflows of resources related to pensions		(178,071)
Net position of governmental activities	\$	<u><u>8,368,496</u></u>

See the accompanying notes to the financial statements.

Elliott County School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2015

	Governmental Funds						Total
	General	Special Revenue	Construction	Debt Service	Permanent	Other Governmental Funds	
REVENUES							
From Local Sources							
Taxes							
Property	\$ 633,483	\$ -	\$ -	\$ -	\$ -	\$ 102,433	\$ 735,916
Motor vehicle	163,437						163,437
Utilities	319,871						319,871
Earnings on investments	5,771				120		5,891
Tuition	500						500
Transportation	25,000						25,000
Other local revenue	102,555	45,130	526,944				674,628
Intergovernmental - state	7,104,735	483,545		552,715		355,948	8,496,943
Intergovernmental - federal	28,324	993,212					1,021,535
Total revenues	8,383,674	1,521,887	526,944	552,715	120	458,381	11,443,721
EXPENDITURES							
Instruction	4,804,905	1,111,987					5,916,892
Support Services							
Student	147,606	5,619					153,225
Instructional Staff	104,352	170,757					275,109
District Administration	570,164						570,164
School Administration	416,296						416,296
Business	380,198	21,307					401,505
Plant Operation & Maintenance	842,285	43,830					886,115
Student Transportation	788,380	1,368					789,748
Community Services Operations	32,948	171,997					204,945
Food Service		10,150					10,150
Building Acquisitions & Construction			1,638,926				1,638,926
Debt Service	192,460			1,030,506			1,222,966
Total expenditures	8,279,594	1,537,015	1,638,926	1,030,506	-	-	12,486,040
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	104,080	(15,128)	(1,111,982)	(477,791)	120	458,381	(1,042,320)
OTHER FINANCING SOURCES (USES)							
Sale of equipment	13,856						13,856
Bond principal proceeds			395,000				395,000
Transfers in	65,832	15,128		477,791			558,751
Transfers (out)	(65,370)					(458,381)	(523,751)
Total other financing sources and (uses)	14,318	15,128	395,000	477,791	-	(458,381)	443,856
NET CHANGE IN FUND BALANCES	118,398	-	(716,982)	-	120	-	(598,464)
FUND BALANCE-BEGINNING	103,852	-	791,687		100,495	-	996,034
FUND BALANCE-ENDING	\$ 222,250	\$ -	\$ 74,705	\$ -	\$ 100,615	\$ -	\$ 397,570

See the accompanying notes to the financial statements.

Elliott County School District
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
Funds to the Statement of Activities**
Year ended June 30, 2015

Net change in fund balances-total governmental funds	\$	(598,464)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.</p>		
District pension contributions less costs of benefits earned net employee contributions		22,349
<p>Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.</p>		
		1,136,863
<p>The difference in the issue amount of the refunding of bond proceeds and the amount for payment to the escrow account to pay the refunded bonds is amortized over the life of the refunding issue.</p>		
		(22,648)
<p>Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.</p>		
		398,660
<p>Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.</p>		
Accrued interest payable		(56,773)
Noncurrent sick leave payable		2,800
		882,787
Change in net position of governmental activities	\$	882,787

See the accompanying notes to the financial statements.

Elliott County School District
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
Year Ended June 30, 2015

	<u>Budgeted Amounts</u>			Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
From Local Sources				
Taxes				
Property	\$ 547,803	\$ 588,700	\$ 633,483	\$ 44,783
Motor vehicle	140,000	140,000	163,437	23,437
Unmined minerals	1,000	1,000	-	(1,000)
Utilities	300,000	300,000	319,871	19,871
Earnings on investments	14,000	2,000	5,771	3,771
Tuition			500	500
Transportation	25,000	25,000	25,000	-
Other local revenue	43,000	55,900	102,555	46,655
Intergovernmental - state	5,233,747	5,351,632 *	5,352,576	944
Intergovernmental - federal	12,000	20,600	28,324	7,724
Total revenues	<u>6,316,550</u>	<u>6,484,832</u>	<u>6,631,516</u>	<u>146,684</u>
EXPENDITURES				
Instruction	3,449,183	3,536,874 *	3,306,677	230,197
Support Services				
Student	139,698	139,698	147,606	(7,908)
Instructional Staff	105,974	105,974	104,352	1,622
District Administration	299,125	330,801	570,164	(239,363)
School Administration	337,012	337,012 *	339,957	(2,945)
Business	310,136	324,299	380,198	(55,899)
Plant Operation & Maintenance	798,330	846,395 *	788,554	57,841
Student Transportation	669,180	694,537 *	664,519	30,018
Community Services Operations	26,850	34,830	32,948	1,882
Debt Service	184,513	242,702	192,460	50,242
Total expenditures	<u>6,320,001</u>	<u>6,593,122</u>	<u>6,527,436</u>	<u>65,686</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,451)	(108,290)	104,080	212,370
OTHER FINANCING SOURCES (USES)				
Sale of buildings/equipment	1,000	13,637	13,856	219
Transfers in	55,378	65,832	65,832	(0)
Transfers (out)	(15,128)	(15,128)	(65,370)	(50,242)
Total other financing sources and (uses)	<u>41,250</u>	<u>64,341</u>	<u>14,318</u>	<u>(50,023)</u>
NET CHANGE IN FUND BALANCES	37,799	(43,949)	118,398	162,347
FUND BALANCE-BEGINNING	<u>105,201</u>	<u>103,851</u>	<u>103,852</u>	<u>1</u>
FUND BALANCE-ENDING	<u>\$ 143,000</u>	<u>\$ 59,902</u>	<u>\$ 222,250</u>	<u>\$ 162,348</u>

* The on-behalf payments (please see the accompanying notes to the financial statements) were not budgeted, therefore, to better compare the actual to the budgeted amounts these amounts were deducted from both revenue and expenditures in the amount of \$1,752,159

See the accompanying notes to the financial statements.

Elliott County School District
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Special Revenue Fund
Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
From Local Sources				
Earnings on investments	\$ 100	\$ 100	\$ -	\$ (100)
Other local revenue	7,500	10,500	45,130	34,630
Intergovernmental - state	459,525	483,899	483,545	(354)
Intergovernmental - federal	965,169	997,028	993,212	(3,816)
Total revenues	<u>1,432,294</u>	<u>1,491,527</u>	<u>1,521,887</u>	<u>30,359</u>
EXPENDITURES				
Instruction	1,084,689	1,091,244	1,111,987	(20,743)
Support Services				
Student	8,233	7,895	5,619	2,276
Instructional Staff	152,333	182,583	170,757	11,826
Business	30,356	37,136	21,307	15,829
Plant Operation & Maintenance	8,699	24,043	43,830	(19,787)
Student Transportation	4,210	4,210	1,368	2,842
Community Services Operations	151,402	151,683	171,997	(20,314)
Food Service	7,500	10,500	10,150	350
Total expenditures	<u>1,447,422</u>	<u>1,509,294</u>	<u>1,537,015</u>	<u>(27,720)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(15,128)	(17,767)	(15,128)	2,639
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	15,128	15,128	15,128	-
Total other financing sources and (uses)	<u>15,128</u>	<u>15,128</u>	<u>15,128</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	(2,639)	-	2,639
FUND BALANCE-BEGINNING	-	-	-	-
FUND BALANCE-ENDING	<u>\$ -</u>	<u>\$ (2,639)</u>	<u>\$ -</u>	<u>\$ 2,639</u>

See the accompanying notes to the financial statements.

Elliott County School District
Statement of Fund Net Position
Proprietary Fund
June 30, 2015

	<u>School Food Services</u>
ASSETS	
Cash and cash equivalents	\$ 106,923
Receivables	30
Inventories	9,025
Capital assets:	
Other capital assets, net of depreciation	21,569
Total assets	<u>137,547</u>
DEFERRED OUTFLOWS OF RESOURCES	
District pension contributions subsequent to the measurement date	<u>6,462</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>144,009</u></u>
LIABILITIES	
Accounts payable and accrued expenses	3,276
Net pension liability	61,946
Total liabilities	<u>65,222</u>
DEFERRED INFLOWS OF RESOURCES	
Net difference between projected and actual earnings on pension plan investments	6,929
NET POSITION	
Net Investment in capital assets	21,569
Restricted for:	
Expendable Restricted for Food Service	50,290
Total net position	<u>71,858</u>
TOTAL LIABILITIES DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u><u>\$ 144,009</u></u>

See the accompanying notes to the financial statements.

Elliott County School District
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
Year Ended June 30, 2015

		School Food Services
OPERATING REVENUES		
Lunchroom sales	\$	55,358
Total operating revenues		<u>55,358</u>
OPERATING EXPENSES		
Depreciation		1,914
Food service operations		
Salaries and benefits		275,229
Operational		517,179
Total operating expenses		<u>794,321</u>
Operating income (loss)		(738,963)
NONOPERATING REVENUES (EXPENSES)		
Federal grants		711,387
State grants		103,118
Transfers		(35,000)
Earnings from investments		150
Total nonoperating revenues (expenses)		<u>779,655</u>
CHANGE IN NET POSITION		40,692
NET POSITION-BEGINNING		93,001
PRIOR PERIOD ADJUSTMENT		(61,835)
RESTATED NET POSITION-BEGINNING		<u>31,166</u>
NET POSITION-ENDING	\$	<u><u>71,858</u></u>

See the accompanying notes to the financial statements.

Elliott County School District
Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2015

	<u>School Food Services</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 55,358
Payments to suppliers	(510,699)
Payments to employees	(275,229)
Net cash provided (used) by operating activities	<u>(730,570)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating grants and contributions	814,505
Pensions	578
Transfers to other funds	(35,000)
Net cash provided (used) by noncapital financing activities	<u>780,083</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchase of capital assets	(20,350)
Net cash provided (used) by capital financing activities	<u>(20,350)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest	150
Net cash provided (used) by investing activities	<u>150</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	29,314
CASH BALANCE-BEGINNING	<u>77,610</u>
CASH BALANCE-ENDING	<u><u>106,923</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	(738,963)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	1,914
Changes in assets and liabilities:	
Receivables	162
Inventories	7,341
Accounts payable and accrued expenses	(1,023)
Net cash provided (used) by operating activities	<u>\$ (730,570)</u>

NONCASH NONCAPITAL FINANCING ACTIVITIES

During the year, the district received \$45,514 of food commodities from the U.S. Department of Agriculture.

During the year, the district recognized revenues and expenses for on-behalf payments relating to fringe benefits in the amount of \$96,717 provided by state government.

See the accompanying notes to the financial statements.

Elliott County School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

		FIDUCIARY FUNDS
ASSETS		
Cash and cash equivalents	\$	59,236
Accounts receivable		199
Total Assets		59,434
 LIABILITIES		
Accounts payable		1,320
Due to student groups		58,114
Total Liabilities		59,434
 NET POSITION HELD IN TRUST		
		-
 TOTAL LIABILITIES AND NET POSITION HELD IN TRUST		
	\$	59,434

See the accompanying notes to the financial statements.

ELLIOTT COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Elliott County Board of Education (“Board”), a five-member group, is the level of government, which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Elliott County Board of Education (“District”). The District receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental “reporting entity” as defined in Section 2100-Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds relevant to the operation of the Elliott County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the District itself such as Band Boosters, Parent-Teacher Associations, etc.

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

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Blended Component Unit

Elliott County Board of Education Finance Corporation

The Board authorized establishment of the Elliott County Board of Education Finance Corporation a non-stock, non-profit corporation pursuant to Section 162.385 of the School Bond Act and Chapter 273 and Section 58.180 of the Kentucky Revised Statutes (the “Corporation”) to act as an agency of the District for financing the costs of school building facilities. The Board of Directors of the Corporation shall be the same persons who are at any time the members of the Board of Education of the Elliott County Board of Education.

Basis of Presentation

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

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

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

The District has the following funds:

I. Governmental Fund Types

(A) General Fund

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

(B) Special Revenue (Grant) Fund

The Special Revenue (Grant) Fund accounts for proceeds of specific revenue sources (other than expendable trust funds or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(C) Capital Project Funds

Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Fund).

SEEK Capital Outlay Fund

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

Building (FSPK) Fund

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

Construction Fund

The Construction Fund accounts for proceeds from sale of bonds and other revenues to be used for authorized construction and/or remodeling. This is a major fund of the District.

(D) 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. This is a major fund of the District.

(E) Permanent Fund

Trust Funds report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting governments programs. This is a major fund of the District.

II. Proprietary Funds (Enterprise Funds)

Food Service Fund

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund of the District.

The District applies all GASB pronouncements to proprietary funds.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

III. Fiduciary Fund Types

Agency Funds

The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with “Accounting Procedures for Kentucky School Activity Funds,” except for those accounted through the central office.

Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end. Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

Unearned Revenue – Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue.

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Property Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited in the General Fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2015, to finance the General Fund operations were \$.413 per \$100 valuation of real property, \$.413 per \$100 valuation for business personal property and \$.565 per \$100 valuation for motor vehicles.

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

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

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

SEE SCHEDULE ON NEXT PAGE

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Other	10 years

Inter-fund Balances

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

Budgetary Process

The District prepares its budgets on the modified accrual basis of accounting, which is the same basis as used to prepare the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Per Board policy, all amendments require Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law. Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end. The Kentucky Department of Education does not require the Capital Project Funds and Debt Service Funds to prepare budgets.

The District’s Special Revenue Fund expenditures exceeded its approved budget appropriations by \$27,720.

Cash and Cash Equivalents

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

Inventories

On government-wide financial statements, including the proprietary fund, inventories are stated at cost, on the first-in, first-out basis, using the accrual method of accounting.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2015 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and expenditure/expense is reported in the year in which services are consumed.

Accrued Liabilities and Long-Term Obligations

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

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

Fund Balances

Fund balance is divided into five categories as defined by GASB 54 as follows:

Nonspendable:	Permanently nonspendable by decree of the donor, such as an endowment, or funds that are not in a spendable form, such as prepaid expenses or inventory on hand.
Restricted	Legally restricted under legislation, bond authority, or grantor contract.
Committed	Commitments of future funds for specific purposes passed by the Board.
Assigned	Funds that are intended by management to be used for a specific purpose, including encumbrances.
Unassigned	Funds available for any purpose; unassigned amounts are reported only in the General Fund unless a fund has a deficit.

The Board has adopted a GASB 54 spending policy which states that the spending order of funds is to first use restricted funds, followed by committed, assigned, and unassigned fund funds.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Net Position

The Statement of Net Position presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as Net Position. Net Position is reported in three categories: 1) net investment in capital assets – consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of the assets; 2) restricted net position – resulting from constraints placed on net position by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation adopted by the School District; 3) unrestricted net position – those assets that do not meet the definition of restricted net position or net investment in capital assets. It is the District's policy to first apply restricted net position and then unrestricted net position when an expense is incurred for which both restricted and unrestricted net position are available.

Operating and Non-Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools.

Non-operating revenues are not generated directly from the primary activity of the proprietary funds. For the School District those revenues come in the form of grants (federal and state), donated commodities, and earnings from investments.

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

Interfund Activity

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Estimates

The process of preparing financial statements in conformity accounting principles generally accepted in the United States of America requires District’s management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, expenditures, designated fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

New Accounting Pronouncements

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.

NOTE B – CASH AND CASH EQUIVALENTS

The District’s cash and cash equivalents were interest bearing demand accounts at a local bank. Due to the liquidity nature of these accounts the carrying value is the fair market value.

	<u>Bank Balance</u>	
<u>Kentucky Bank</u>		<u>Demand</u>
FDIC	\$	250,000
Securities pledged to district		783,304
		<hr/>
Bank balance	\$	1,033,304
		<hr/>
		<u>Book Balance</u>
		<u>Cash equivalents</u>
Governmental Activities	\$	460,003
Business-type Activities		106,923
Agency funds		
School Activity Funds		59,236
		<hr/>
Total carrying amount	\$	626,162
		<hr/>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

NOTE C – CAPITAL ASSETS

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

<u>Governmental Activities</u>	<u>July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2015</u>
Land	\$ 452,008	\$ -	\$ -	\$ 452,008
Land improvements	622,576	-	-	622,576
Buildings	27,631,480	1,774,699	-	29,406,179
Technology equipment	-	-	-	-
Vehicles	1,979,252	59,993	3,900	2,035,345
General equipment	459,547	10,271	-	469,818
Construction in progress	<u>375,525</u>	<u>1,620,481</u>	<u>1,689,362</u>	<u>306,643</u>
Total at historical cost	\$ <u>31,520,386</u>	\$ <u>3,465,444</u>	\$ <u>1,693,262</u>	\$ <u>33,292,568</u>
Less: Accumulated depreciation				
Land improvements	\$ 519,053	\$ 17,927	\$ -	\$ 536,980
Buildings	7,629,535	471,053	-	8,100,588
Technology equipment	-	-	-	-
Vehicles	1,407,895	135,400	3,900	1,539,395
General equipment	<u>352,648</u>	<u>14,839</u>	<u>-</u>	<u>367,488</u>
Total accumulated depreciation	\$ <u>9,909,131</u>	\$ <u>639,219</u>	\$ <u>3,900</u>	\$ <u>10,544,450</u>
<u>Governmental Activities</u>				
Capital Assets-net	\$ <u>21,611,255</u>	\$ <u>2,826,225</u>	\$ <u>1,689,362</u>	\$ <u>22,748,117</u>
<u>Business-Type Activities</u>	<u>July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2015</u>
Buildings	\$ 162,717	\$ -	\$ -	\$ 162,717
Technology equipment	-	-	-	-
General equipment	<u>246,536</u>	<u>20,350</u>	<u>9,810</u>	<u>257,076</u>
Total at historical cost	\$ <u>409,253</u>	\$ <u>20,350</u>	\$ <u>9,810</u>	\$ <u>419,793</u>
Less: Accumulated depreciation				
Buildings	\$ 161,317	\$ 400	\$ -	\$ 161,717
Technology equipment	-	-	-	-
General equipment	<u>244,804</u>	<u>1,514</u>	<u>9,810</u>	<u>236,507</u>
Total accumulated depreciation	\$ <u>406,121</u>	\$ <u>1,914</u>	\$ <u>9,810</u>	\$ <u>398,224</u>
<u>Business-Type Activities</u>				
Capital Assets-net	\$ <u>3,132</u>	\$ <u>18,436</u>	\$ <u>-</u>	\$ <u>21,569</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Depreciation expense was not allocated to governmental functions. It appears on the statement of activities as “unallocated”.

NOTE D – BONDED DEBT OBLIGATIONS

The amount shown in the accompanying financial statements as bonded debt and lease obligations represent the District’s future obligations to make payments relating to the bonds issued by the Elliott County School District Finance Corporation aggregating \$12,300,000, and \$685,000 is the portion due within one year.

The District, through the General Fund (including utility taxes), Building (FSPK) Fund, and the SEEK Capital Outlay Fund is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Fiscal Court to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

The original amount of outstanding issues, the issue dates, interest rates, maturity dates, and outstanding balances, at June 30, 2015 are summarized below:

<u>Bond Issues</u>	<u>Original Amount</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>2014 Bonds Outstanding</u>	<u>Additions</u>	<u>Retirements</u>	<u>2015 Bonds Outstanding</u>
06/21/2012	\$ 4,500,000	8/1/2032	2.0-3.25%	\$ 4,415,000		85,000	\$ 4,330,000
1/1/2012	2,020,000	9/1/2023	.5 - 2.125%	1,805,000		125,000	1,680,000
2/1/2003	2,715,000	9/1/2014	1.25-3.65%	85,000		85,000	-
1/1/2015	395,000	2/1/2035	3.1%	-	395,000		395,000
12/21/2005	290,000	8/1/2026	4.125%	205,000		15,000	190,000
1/25/2006	500,000	1/25/2021	QZAB	500,000			500,000
03/01/2009	2,045,000	12/1/2018	1.50-3.40%	1,110,000		205,000	905,000
11/1/2007	3,470,000	11/1/2027	3.35-4.0%	2,670,000		150,000	2,520,000
5/1/14	1,205,000	5/1/1934	2.55-3.75	1,205,000		15,000	1,190,000
8/1/13	\$ 595,000	2/1/1934	2.25-3.75	<u>595,000</u>		<u>5,000</u>	<u>590,000</u>
				<u>\$ 12,590,000</u>	<u>\$ 395,000</u>	<u>\$ 685,000</u>	<u>\$ 12,300,000</u>

The District has entered into “participation agreements” with the Kentucky School Facility Construction Commission. The Kentucky Legislature, for the purpose of assisting local school districts in meeting school construction needs, created the Commission. The table following sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Fiscal Year Ended <u>June 30th</u>	Principal		Interest		Principal <u>Total</u>	Interest <u>Total</u>
	<u>Local</u>	<u>KSFCC</u>	<u>Local</u>	<u>KSFCC</u>		
2016	\$ 299,811	\$ 385,189	\$ 170,268	\$ 173,359	\$ 685,000	\$ 343,626
2017	313,485	396,515	162,455	161,419	710,000	323,874
2018	321,655	408,345	154,159	149,101	730,000	303,260
2019	336,290	398,710	145,317	136,573	735,000	281,890
2019	347,059	337,941	137,140	125,123	685,000	262,263
2021-2025	1,694,085	2,320,915	571,905	454,691	4,015,000	1,026,596
2026-2030	1,610,229	1,319,771	365,915	160,843	2,930,000	526,758
2031-2035	1,338,557	471,443	94,052	27,574	1,810,000	121,626
	<u>\$ 6,261,171</u>	<u>\$ 6,038,829</u>	<u>\$ 1,801,210</u>	<u>\$ 1,388,683</u>	<u>\$ 12,300,000</u>	<u>\$ 3,189,892</u>

NOTE E – CAPITAL LEASE PAYABLE

The following is an analysis of the leased property under capital lease by class:

<u>KISTA Issue</u>	<u>Original Amount</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>2014 Lease Outstanding</u>	<u>Additions</u>	<u>Retirements</u>	<u>2015 Lease Outstanding</u>
1/1/2005	\$ 359,020	3/1/2015	3.0 - 3.625%	\$ 34,354	\$ -	\$ 34,354	\$ -
9/1/2006	453,893	3/1/2017	3.5 - 3.875%	140,177		50,661	89,516
8/1/2014	61,793	3/1/2024	2.0 - 2.625%	-	61,793	7,302	54,491
Third Series 2009	\$ 796,487	3/1/2020	2.0- 3.6%	474,940		78,136	396,804
				<u>\$ 649,471</u>	<u>\$ 61,793</u>	<u>\$ 170,453</u>	<u>\$ 540,811</u>

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:

SEE SCHEDULE ON NEXT PAGE

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Fiscal Year Ended June 30th	Local Principal	Interest	Total Payments
2016	\$ 130,519	\$ 17,352	\$ 147,871
2017	133,455	13,254	146,709
2018	90,612	8,909	99,521
2019	79,919	6,039	85,958
2020	82,548	3,426	85,974
2020-2024	<u>23,758</u>	<u>1,408</u>	<u>25,166</u>
	<u>\$ 540,811</u>	<u>\$ 50,388</u>	<u>\$ 591,199</u>

Total minimum lease payments	\$ 591,199
Less: Amount representing interest	(50,388)
 Present Value of Net Minimum Lease Payments	 \$ 540,811

NOTE F – OTHER LONG TERM OBLIGATIONS

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. The activity during fiscal year 2015 for accumulated sick leave is as follows:

	2014 Outstanding Balance	Additions	Retirements	2015 Outstanding Balance
Sick Leave	\$ 213,761	\$ -	\$ 93,277	\$ 120,484
Totals	<u>\$ 213,761</u>	<u>\$ -</u>	<u>\$ 93,277</u>	<u>\$ 120,484</u>

The District elected to finance the worker’s compensation insurance deficit (KSBIT) with the now defunct Kentucky School Board Insurance Trust through the Kentucky Inter-local School Transportation Association (KISTA). The activity during fiscal year 2015 for the worker’s compensation and property and liability deficit are as follows:

KISTA Issues	Original Amount	Maturity Date	Interest Rates	2014 KISTA Outstanding	Additions	Retirements	2015 KISTA Outstanding
KSBIT	\$ 219,880	8/15/2024	2.0 - 3.25%	\$ -	\$ 219,880	\$ -	\$ 219,880

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The minimum payments are as follows:

Fiscal Year Ended	Local	Interest	Total
<u>June 30th</u>	<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
2016	\$ 17,338	\$ 8,075	\$ 25,413
2017	20,617	5,247	25,864
2018	21,034	4,830	25,864
2019	21,475	4,389	25,864
2020	21,942	3,922	25,864
2021-2024	<u>117,474</u>	<u>9,593</u>	<u>127,067</u>
Totals	<u>\$ 219,880</u>	<u>\$ 36,056</u>	<u>\$ 255,936</u>

NOTE G – RETIREMENT PLANS

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

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

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

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

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old
		At least 25 years service and any age

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

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

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

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

Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, employees who retire July 1, 2004 and later with more than

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 CERS net pension liability	\$ 1,654,000
Commonwealth's proportionate share of the KTRS net pension liability associated with the district	<u>30,423,418</u>
	\$ <u>32,077,418</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, 2015, the District’s proportion was .050988% (percent).

For the year ended June 30, 2015, the District recognized pension expense of \$187,964 related to CERS and \$2,622,747 related to KTRS. The District also recognized revenue of \$2,622,747 for KTRS support provided by the Commonwealth. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	185,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
District contributions subsequent to the measurement date	209,735	-
	\$ 209,735	\$ 185,000

\$209,735 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

	Year Ended June 30,
2016	\$ 41,947
2017	41,947
2018	41,947
2019	41,947
2020	41,947
	\$ 209,735

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:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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	100.0%	

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

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

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

	1% Decrease	Current Discount Rate	1% Increase
CERS	6.75%	7.75%	8.75%
District's proportionate share of net pension liability	1,867,691	1,654,000	1,440,790
KTRS	4.23%	5.23%	6.23%
District's proportionate share of net pension liability	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 H – COMMITMENTS

The District has made commitments of \$88,357 as of June 30, 2015 for future construction projects.

NOTE I - CONTINGENCIES

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

NOTE J - LITIGATION

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

NOTE K – INSURANCE AND RELATED ACTIVITIES

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

NOTE L – RISK MANAGEMENT

The District is exposed to various risks of loss related to illegal acts, torts, theft/damage/destruction of assets, errors and omissions, injuries to employees, and natural disasters. To obtain insurance for workers’ compensation, errors and omission, and general liability coverage, the District purchased commercial insurance policies.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE M - COBRA

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

NOTE N – TRANSFER OF FUNDS

The following transfers were made during the year:

<u>Type</u>	<u>From</u>	<u>To</u>	<u>Purpose</u>	<u>Amount</u>
Operations	General Fund	Special Revenue Fund	KETS Matching	\$ 15,128
Debt Service	Capital Outlay Fund	Debt Service Fund	Debt Payments	65,771
Debt Service	FSPK Fund	Debt Service Fund	Debt Payments	361,778
Debt Service	General Fund	Debt Service Fund	Debt Payments	50,241
Operations	Food Service Fund	General Fund	Indirect Costs	35,000
Operations	Capital Outlay Fund	General Fund	Operating Expenditures	\$ 30,832

NOTE O – DEFICIT FUND AND OPERATING BALANCES

The following funds had an operating deficit at the end of the fiscal year causing a reduction in the fund balance.

<u>Fund</u>	<u>Reduction in Fund Balance / Net Position</u>
Construction Fund	\$ (716,982)

NOTE P – ON-BEHALF PAYMENTS

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

<u>Plan/Description</u>	<u>Amount</u>
Kentucky Teachers Retirement System (GASB 68 Schedule A)	\$ 716,938
Health Insurance	1,099,520
Life Insurance	2,009
Administrative Fee	13,738
HRA/Dental/Vision	58,363
Federal Reimbursement	(98,997)
Technology	57,305
SFCC Debt Service Payments	<u>552,715</u>
Total	\$ <u>2,401,590</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

These amounts are included in the financial statements as state revenue and an expense allocated to the different functions in the same proportion as full-time employees.

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

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 \$1,651,036 reduction in beginning net position on the Statement of Activities and an increase of \$220,964 of deferred outflows of resources – District contributions subsequent to the measurement date.

NOTE R – RESTRICTED FUND BALANCES

The following funds had restricted fund balances.

<u>Fund</u>		<u>Amount</u>	<u>Purpose</u>
Construction	\$	74,705	Future Construction
Food Service		50,290	Food Service Operations
Permanent Fund	\$	615	Trust Agreement

NOTE T – SUBSEQUENT EVENTS

The District has evaluated subsequent events through November 13, 2015, the date of the audit report.

ELLIOTT COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

	Reporting Fiscal Year (Measurement Date) 2015 (2014)
COUNTY EMPLOYEE'S RETIREMENT SYSTEM:	
Districts' proportion of the net pension liability	0.05%
District's proportionate share of the net pension liability	\$ 1,654,000
State's proportionate share of the net pension liability associated with the District	-
Total	\$ 1,654,000
District's covered-employee payroll	\$ 1,169,652
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	141.41%
Plan fiduciary net position as a percentage of the total pension liability	66.80%
KENTUCKY TEACHER'S RETIREMENT SYSTEM:	
Districts' proportion of the net pension liability	0.148%
District's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the District	30,423,418
Total	\$ 30,423,418
District's covered-employee payroll	\$ -
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.000%
Plan fiduciary net position as a percentage of the total pension liability	45.59%

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

See the accompanying notes to the required supplementary information.

ELLIOTT COUNTY SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS

	2015	2014
COUNTY EMPLOYEE'S RETIREMENT SYSTEM:		
Contractually required contribution	\$ 209,735	\$ 220,847
Contributions in relation to the contractually required contribution	209,735	\$ 220,847
Contribution deficiency (excess)	-	-
District's covered-employee payroll	\$ 1,187,072	\$ 1,169,652
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	17.67%	18.88%
 KENTUCKY TEACHER'S RETIREMENT SYSTEM:		
Contractually required contribution	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-
Contribution deficiency (excess)	-	-
District's covered-employee payroll	\$ -	\$ -
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	0.00%	0.00%

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

See the accompanying notes to the required supplementary information.

ELLIOTT COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the year ended June 30, 2015

Changes in benefit terms - None

Changes of assumptions - None

Elliott County School District
Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2015

	Other Governmental Funds		
	Capital Outlay	FSPK Fund	Total
Assets			
Cash and Cash Equivalents	\$ -	\$ -	\$ -
Total Assets	-	-	-
Fund Balances			
Nonspendable			-
Restricted	-		-
Total Fund Balances	\$ -	\$ -	\$ -

See the accompanying notes to the financial statements.

Elliott County School District
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor
Governmental Funds**
Year ended June 30, 2015

	Other Governmental Funds		
	Capital Outlay	FSPK Fund	Total
Revenues			
Taxes			
Property	\$ -	\$ 102,433	\$ 102,433
Earnings from investments			-
Intergovernmental - State	96,603	259,345	355,948
Total Revenues	96,603	361,778	458,381
Expenditures			
Instruction			-
Total Expenditures	-	-	-
Excess (Deficit) of Revenues Over Expenditures	96,603	361,778	458,381
Other Financing Sources (Uses)			
Operating Transfers (Out)	(96,603)	(361,778)	(458,381)
Total Other Financing Sources (Uses)	(96,603)	(361,778)	(458,381)
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	-	-	-
Fund Balance beginning	-	-	-
Fund Balance ending	\$ -	\$ -	\$ -

See the accompanying notes to the financial statements.

Elliott County School District
**Combining Balance Sheet of Fiduciary Fund -
 School Activity Funds**
 June 30, 2015

	<u>ELLIOTT CO. HIGH SCHOOL</u>	<u>ISONVILLE ELEMENTARY</u>	<u>LAKESIDE ELEMENTARY</u>	<u>SANDY HOOK ELEMENTARY</u>	<u>TOTAL</u>
ASSETS					
Cash and cash equivalents	\$ 39,769	\$ 2,193	\$ 4,551	\$ 12,724	\$ 59,236
Accounts receivable	100	99			199
Total Assets	<u>39,869</u>	<u>2,291</u>	<u>4,551</u>	<u>12,724</u>	<u>59,434</u>
LIABILITIES					
Accounts payable	800	520		-	1,320
Total Liabilities	<u>800</u>	<u>520</u>	<u>-</u>	<u>-</u>	<u>1,320</u>
FUND BALANCE					
School activities	<u>39,069</u>	<u>1,771</u>	<u>4,551</u>	<u>12,724</u>	<u>58,114</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u>39,869</u>	\$ <u>2,291</u>	\$ <u>4,551</u>	\$ <u>12,724</u>	\$ <u>59,434</u>

See the accompanying notes to the financial statements.

Elliott County School District
Combining Statement of Revenues, Expenses and Changes in Fund Balance
- School Activity Funds
Year ended June 30, 2015

	<u>ELLIOTT CO. HIGH SCHOOL</u>	<u>ISONVILLE ELEMENTARY</u>	<u>LAKESIDE ELEMENTARY</u>	<u>SANDY HOOK ELEMENTARY</u>	<u>TOTAL</u>
Revenues					
Student/Trust revenues	\$ 253,456	\$ 8,855	\$ 14,848	\$ 48,151	\$ 325,310
Expenditures					
Student/Trust activities	244,125	11,039	15,458	50,407	321,029
Excess (Deficit) of Revenues Over Expenses	9,331	(2,183)	(610)	(2,256)	4,281
Fund Balance-Beginning	<u>29,738</u>	<u>3,955</u>	<u>5,161</u>	<u>14,979</u>	<u>53,833</u>
Fund Balance-Ending	<u>\$ 39,069</u>	<u>\$ 1,771</u>	<u>\$ 4,551</u>	<u>\$ 12,724</u>	<u>\$ 58,114</u>

See the accompanying notes to the financial statements.

Elliott County School District
Statement of Revenues, Expenses, and Changes in Fund Balance - Elliott County High School
Year ended June 30, 2015

	FUND BALANCE BEGINNING	REVENUES	EXPENSES	TRANSFERS	FUND BALANCE ENDING
GENERAL FUND	\$ 1,352	\$ 6,601	\$ 7,902	\$ -	\$ 51
CLASS "A" 2010	-	-	-	-	-
SENIOR CLASS FUNDS	73	2,119	2,116	-	76
HS SCIENCE	-	110	105	-	5
ARCHERY	513	13,724	10,104	-	4,133
ELEMENTARY BASKETBALL	122	14,635	14,757	-	-
NEWSCLASS	46	-	-	-	46
FBLA/LEADERSHIP CLASS	35	41,332	34,037	-	7,330
ANNUAL	1,610	2,020	3,000	-	630
SOCCER	2,525	3,513	4,346	-	1,692
FCA	169	4,789	4,768	(20)	169
7/8 GRADE FCA	-	646	271	20	395
HS MATH	3,743	-	2,648	-	1,095
ELEMENTARY CHEERLEADING	-	5,121	4,927	-	194
GENERAL II	49	35	-	-	84
FACULTY VENDING	39	1,239	431	-	847
DO SOMETHING CLUB	1,824	5,243	4,237	-	2,830
DRAMA CLUB	1,064	1,140	1,011	-	1,193
BETA	9	1,211	763	(56)	402
CHESS	28	-	-	-	28
FBLA	-	-	-	-	-
FRESHMAN ACCOUNT	72	-	-	-	72
SOPHOMORE FUND	10	-	-	-	10
FCCLA	1,660	24,980	26,641	-	-
FEA	91	-	-	-	91
FFA	184	-	-	-	184
7TH & 8TH BETA	184	-	-	-	184
7TH & 8TH CO-ED Y	-	-	-	-	-
7TH & 8TH SCIENCE	-	-	-	-	-
FCCLA II	81	-	-	-	81
FRENCH	3	-	-	-	3
INDUSTRIAL ARTS	86	381	384	-	82
WELDING	237	952	1,110	-	79
ATHLETIC	8,044	49,620	50,754	143	7,053
2012 DISTRICT TOURNAMENT	-	-	-	-	-
7TH & 8TH ATHLETIC	88	4,771	4,657	-	202
ATHLETIC CAMP	150	-	-	-	150
ATHLETIC EQUIPMENT	-	-	-	-	-
CLASS "A"	-	-	-	-	-
HS ATHLETIC GIRLS	618	9,345	9,647	-	317
ATH. REGIONAL 2006	18	-	-	-	18
TRACK/CROSS COUNTRY	-	3,576	3,323	-	253
CHEERLEADING	296	7,080	6,419	-	956
VOLLEYBALL	-	8,142	7,429	-	713
SOFTBALL	423	1,287	1,520	-	191
RESOURCE	897	-	-	-	897
GOLF 08-09	524	2,154	2,217	-	461
ROTC	104	4,544	3,360	-	1,288
LIBRARY	112	-	-	-	112
BASEBALL	28	749	-	-	777
7TH/8TH ACADEMIC TEAM	0	-	-	-	0
YEARBOOK ADS	556	290	-	-	846
ACADEMIC TEAM	806	-	342	-	464
SPANISH	174	9,555	9,529	(87)	113
JUNIOR CLASS (PROM)	683	14,317	13,309	-	1,692
7TH GRADE SOCIAL STUDIES	54	-	54	-	-
7TH GRADE FUNDS	40	3,570	3,340	-	270
8TH GRADE FUNDS	314	4,664	4,668	-	310
TOTALS	\$ 29,738	\$ 253,456	\$ 244,125	\$ -	\$ 39,069

See the accompanying notes to the financial statements.

ELLIOTT COUNTY SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2015

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Elliott 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 amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State and Local Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represents adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. At June 30, 2015, the District had received food commodities totaling \$45,514.

ELLIOTT COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2015

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Expenditures
US Department of Agriculture				
Passed Through State Department of Education:				
School Breakfast Program	10.553			
Fiscal Year 14		7760005 14	\$ N/A	\$ 48,069
Fiscal Year 15		7760005 15	N/A	161,443
National School Lunch Program	10.555			
Fiscal Year 14		7750002 14	N/A	104,089
Fiscal Year 15		7750002 15	N/A	341,328
Summer Food Service Program for Children	10.559			
Fiscal Year 14		7690024 14	N/A	1,021
Fiscal Year 14		7740023 14	N/A	9,945
Child Nutrition Cluster Subtotal				<u>665,897</u>
Fresh Fruits & Vegetables	10.582			
Fiscal Year 14		7720012 14	N/A	9,379
Fiscal Year 15		7720012 15		<u>21,279</u>
				<u>30,658</u>
State Administrative Expenses for Child Nutrition				
Fiscal Year 13	10.560	7850012 13	N/A	1,000
Passed Through State Department of Agriculture:				
Food Donation-Commodities	10.565			
Fiscal Year 15		510.4950	N/A	45,514
Total US Department of Agriculture				<u>743,069</u>
US Department of Education				
Passed Through State Department of Education				
* Title I Grants to Local Educational Agencies	84.010A			
Fiscal Year 14		3100002 14	490,265	40,320
Fiscal Year 14M		3100002 14	5,000	927
Fiscal Year 15		3100002 15	485,399	434,698
Fiscal Year 15M		3100002 15	5,000	4,692
				<u>480,637</u>
* Special Education Grants to States	84.027A			
Fiscal Year 13		3810002 13	286,420	48
Fiscal Year 14		3810002 14	270,961	11,087
Fiscal Year 15		3810002 15	280,260	281,151
* Special Education-Preschool Grants	84.173A			
Fiscal Year 15		3800002 15		18,937
Special Education Cluster Subtotal				<u>311,223</u>
Perkins	84.048			
Fiscal Year 14A		4621332 14	649	649
Fiscal Year 15		4621332 15	15,935	10,173
				<u>10,822</u>
Teacher Quality	84.367A			
Fiscal Year 14		3230002 14	95,973	3,616
Fiscal Year 15		3230002 15	96,032	81,774
				<u>85,390</u>
Rural Education	84.358			
Fiscal Year 14		3140002 14	19,143	7,643
Fiscal Year 15		3140002 15	21,939	21,939
				<u>29,582</u>
Total US Department of Education				<u>917,655</u>
US Department of Defense				
Passed directly from the U.S. Department of the Army				
ROTC	12.000			
Fiscal Year 15		504A	52,521	49,709
Total US Department of Defense				<u>49,709</u>
Total Expenditure of Federal Awards				<u>\$ 1,710,433</u>
* Major programs				

See the accompanying notes to the schedule of expenditures of federal awards.

**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***

To the Elliott County Board of Education and
State Committee for School District Audits
Sandy Hook, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Auditor Responsibilities* and *State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Elliott County School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Elliott County School District's basic financial statements, and have issued our report thereon dated November 13, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Elliott County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain

provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Elliott County School District, in a separate letter dated November 13, 2015.

In addition, the results of our tests disclosed no material deficiencies as it relates to specific state statutes or regulations identified in the audit requirements prescribed by the Kentucky State Committee for School District Audits included in the Kentucky Public School District's Audit Contract and Requirements or Appendices.

Purpose of this Report

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

White & Associates, P.C.

Richmond, Kentucky
November 13, 2015

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

To the Elliott County Board of Education and
State Committee for School District Audits
Sandy Hook, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Elliott County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Elliott County School District's major federal programs for the year ended June 30, 2015. Elliott 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 Elliott 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Auditor Responsibilities* and *State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements. 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 Elliott 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 Elliott County School District's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

White & Associates, P.C.

Richmond, Kentucky
November 13, 2015

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

SUMMARY OF AUDITOR’S RESULTS

What type of report was issued for the financial statements?	Unmodified
Were there significant deficiencies in internal control disclosed? If so, was any significant deficiencies material (GAGAS)?	None reported
Was any material noncompliance reported (GAGAS)?	No
Were there material weaknesses in internal control disclosed for major programs?	No
Were there any significant deficiencies in internal control disclosed that were not considered to be material weaknesses?	None reported
What type of report was issued on compliance for major programs?	Unmodified
Did the audit disclose findings as it relates to major programs that Is required to be reported as described in Section 510(a) of OMB A-133?	No
Major Programs	Title 1 [CFDA 84.010A] Special Education Cluster [CFDA 84.027A, 84.173A]
Dollar threshold of Type A and B programs	\$300,000
Low risk auditee?	Yes

FINDINGS - FINANCIAL STATEMENT AUDIT

No findings at the financial statement level.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

No findings at the major federal award programs level.

ELLIOTT COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the year ended June 30, 2015

There were no prior year findings.