

GREENUP COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

GREENUP COUNTY SCHOOL DISTRICT
TABLE OF CONTENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	4
Basic Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Balance Sheet – Governmental Funds	10
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	11
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	13
Statement of Net Position – Proprietary Funds	14
Statement of Revenues, Expenditures, and Changes in Net Assets – Proprietary Funds	15
Statement of Cash Flows – Proprietary Funds	16
Statement of Net Position – Fiduciary Funds	17
Notes to the Basic Financial Statements	18
Required Supplementary Information:	
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – (Non-GAAP Budgetary Basis) – General Fund	42
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – (Non-GAAP Budgetary Basis) – Special Revenue Fund	43
Schedule of District's Proportionate Share of the Net Pension Liability	44
Schedule of Pension Contributions	45
Notes to Required Supplementary Information	46

GREENUP COUNTY SCHOOL DISTRICT
TABLE OF CONTENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Other Information

Combining Balance Sheet – Non-Major Governmental Funds	47
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds	48
Combining Balance Sheet – Non-Major Capital Project Funds	49
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Capital Project Funds	50
Combining Balance Sheet – Bond Interest and Redemption	51
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Bond Interest and Redemption	52
Statement of Changes in Assets and Liabilities – School Activity Funds	53
Statement of Changes in Assets and Liabilities – School Activity Funds Greenup County High School	54
Schedule of Expenditures of Federal Awards	55
Notes to the Schedule of Expenditures of Federal Awards	57
Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on An Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	58
Independent Auditors’ Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	60
Schedule of Findings and Questioned Costs	63
Schedule of Prior Year Audit Findings	64
Corrective Action Plan	65
Independent Auditors' Transmittal Letter for Management Letter Points	66
Management Letter Points	67



The Fyffe Jones Group, AC

2155 Carter Avenue
P.O. Box 2245
Ashland, KY 41105-2245
606-329-8604

806 Chillicothe Street
Portsmouth, OH 45662
740-353-0400

1033 Twentieth Street
P.O. Box 1148
Huntington, WV 25713-1148
304-525-8592

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the "Auditor Responsibilities" Section of 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 Greenup County School District, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, effective July 1, 2014. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension information on pages 4 through 7 and 42 through 46 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 Greenup County School District's basic financial statements.

The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The statements of changes in assets and liabilities – school activity funds are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

These statements and schedule are management’s responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these statements and schedules to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling schedules directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, these statements and schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2015, on our consideration of the District's internal control over financial reporting and our testing of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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.

The Fyffe Jones Group, AC

THE FYFFE JONES GROUP, AC

Ashland, Kentucky
November 11, 2015

GREENUP COUNTY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

FINANCIAL HIGHLIGHTS

- The beginning cash balance for the District was \$3,771,527 in the General Fund.
- The General Fund had \$23,306,537 in revenues, which primarily consisted of the state program (SEEK), property taxes, utilities taxes, and motor vehicle taxes. Excluding inter-fund transfers, there was \$22,047,849 in General Fund expenditures. On-behalf payments of \$4,074,348 are included in revenues and expenditures of the General Fund.
- General Fund Tax revenues were realized above budgeted projections. Overall, tax revenues finished at 110% of budgeted projections, or 10% above budget, for a total of \$577,558.

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 Board's assets, deferred outflows of resources, liabilities, and deferred inflow of resources. Net position is reported as assets plus deferred outflows of resources minus liabilities minus deferred inflows of resources. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Board is improving or deteriorating.

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

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of facilities, student transportation, and operation of non-instructional services. Fixed assets and related debt are also supported by taxes and intergovernmental revenues. The government-wide financial statements can be found on pages 8 and 9 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. The state has mandated a uniform system (MUNIS administrative software) and chart of accounts for all Kentucky public school districts. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary, and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The District's only proprietary fund is food service operations. All other activities of the District are included in the governmental funds.

GREENUP COUNTY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

The basic governmental fund financial statements can be found on pages 10 through 17 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 18 through 41 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets exceeded liabilities by \$16,333,564 as of June 30, 2015.

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

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

Net Position for the periods ending June 30, 2015 and 2014 are as follows:

	2015	Restated 2014
Current Assets	\$ 5,545,673	\$ 4,440,144
Noncurrent Assets	28,820,580	29,831,910
Total Assets	\$ 34,366,253	\$ 34,272,054
Deferred Outflows of Resources	\$ 683,952	\$ 728,090
Current Liabilities	\$ 2,203,159	\$ 2,463,502
Long-Term Liabilities	21,251,124	23,396,103
Total Liabilities	23,454,283	25,859,605
Deferred Inflows of Resources	\$ 612,231	\$ 4,231
Total Net Position	\$ 10,983,691	\$ 9,136,308

- The District’s total revenues for the fiscal year ended June 30, 2015, net of inter-fund transfers, were \$30,846,560.

FUND FINANCIAL ANALYSIS

Comments on Budget Comparisons:

- General Fund budget compared to actual revenue, net of on-behalf payments of \$4,074,348, varied slightly from line item to line item with the ending actual balance being \$743,295 more than budget, or approximately 4.0% due to an increased percentage of tax collections.

The following table presents a summary of the General Fund’s revenues and expenses for the fiscal years ending:

GREENUP COUNTY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Revenues:		
Local Revenue Sources	\$ 6,932,983	\$ 6,395,252
Federal and State Revenue Sources	16,367,292	16,022,816
Other Sources	<u>6,262</u>	<u>4,588</u>
Total Revenues	<u>23,306,537</u>	<u>22,422,656</u>
Expenses:		
Instruction	10,759,792	10,363,022
Student Support Services	1,732,860	1,664,178
Instructional Support	1,333,294	1,306,814
District Administration	1,165,537	946,341
School Administration	1,923,442	1,707,742
Business Support	620,948	681,200
Plant Operations	2,497,804	2,739,201
Student Transportation	1,665,780	1,772,336
Community Services	-	-
Other	<u>410,133</u>	<u>414,713</u>
Total Expenses	<u>22,109,590</u>	<u>21,595,547</u>
Excess (Deficiency) of Revenues Over (Under) Expenses	<u>\$ 1,196,947</u>	<u>\$ 827,109</u>

General Fund Revenue

The majority of revenue was derived from local taxes of 28.3%, state funding of 70.0%, and other sources 1.7%.

Budget Allocation

Site Based Decision Making Councils expended \$14,016,528, or 63.4% of the General Fund budget. The remaining 36.6% was expended through central support services.

School Allocation

Instructional accounts were 76.8% of the school level expenditures.

Central Office Allocation

Central support services expenditures were District Administration 5.3%, Student Support Services 7.8%, Transportation 7.5%, Maintenance and Operations 11.3%, Business Functions 2.8% and Other 1.9%.

FUTURE 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 District adopted a budget with \$3,386,979 in contingency (11.6%). The General Fund cash balance for the beginning the 2015-2016 fiscal year is \$4,843,718. The Board is constantly looking to upgrade facilities in the District as funds become available.

GREENUP COUNTY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Questions regarding this report should be directed to the Superintendent at (606) 473-9819 or to the Finance Director at (606) 473-9810 or by mail at 45 Musketeer Drive, Greenup, Kentucky 41144.

GREENUP COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 5,056,032	\$ 66,378	\$ 5,122,410
Receivables (net of allowances for uncollectibles):			
Property Taxes	133,293	-	133,293
Intergovernmental - State	234,603	13,902	248,505
Inventories	-	41,464	41,464
Capital Assets, Not Being Depreciated	136,284	-	136,284
Capital Assets, Being Depreciated, Net	28,552,933	131,363	28,684,296
Total Assets	<u>\$ 34,113,145</u>	<u>\$ 253,107</u>	<u>\$ 34,366,252</u>
Deferred Outflows of Resources:			
Deferred Pension Contributions	596,970	86,982	683,952
Total Deferred Outflows of Resources	<u>596,970</u>	<u>86,982</u>	<u>683,952</u>
Liabilities:			
Accounts Payable	\$ 59,970	\$ 12,953	\$ 72,923
Payroll Taxes Payable	5,894	-	5,894
Interest Payable	140,395	-	140,395
Noncurrent Liabilities:			
Net Pension Liability	4,757,767	693,233	5,451,000
Portion Due or Payable Within One Year:			
Debt Obligations	1,329,247	-	1,329,247
Accrued Sick Leave	326,270	-	326,270
Portion Due or Payable After One Year:			
Debt Obligations	14,688,304	-	14,688,304
KSBIT Assessment Payable	350,523	-	350,523
Accrued Sick Leave	761,297	-	761,297
Total Liabilities	<u>\$ 22,419,667</u>	<u>\$ 706,186</u>	<u>\$ 23,125,853</u>
Deferred Inflows of Resources:			
Grant Revenue Received in Advance	328,430	-	328,430
Deferred Pension Investment Earnings	530,677	77,323	608,000
Deferred Gain on Refunding of Debt	4,231	-	4,231
Total Deferred Inflows of Resources	<u>863,338</u>	<u>77,323</u>	<u>940,661</u>
Net Position:			
Invested in Capital Assets, Net of Related Debt	\$ 6,723,745	\$ 131,363	\$ 6,855,108
Restricted - Accrued Sick Leave	351,230	-	351,230
Unrestricted	4,352,135	(574,783)	3,777,352
Total Net Position	<u>\$ 11,427,110</u>	<u>\$ (443,420)</u>	<u>\$ 10,983,690</u>

See Notes to the Basic Financial Statements.

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

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Function/Programs							
Governmental Activities:							
Instructional	\$ 14,043,561	\$ -	\$ 2,320,731	\$ -	\$ (11,722,830)	\$ -	\$ (11,722,830)
Support Services:							
Students	1,765,742	-	32,766	-	(1,732,976)	-	(1,732,976)
Instructional Staff	1,448,383	-	115,089	-	(1,333,294)	-	(1,333,294)
District Administration	1,207,159	-	-	-	(1,207,159)	-	(1,207,159)
School Administration	1,927,971	-	-	-	(1,927,971)	-	(1,927,971)
Business and Other Support Services	621,853	-	-	-	(621,853)	-	(621,853)
Operation and Maintenance of Plant	2,675,028	-	98,480	-	(2,576,548)	-	(2,576,548)
Student Transportation	1,864,082	-	-	-	(1,864,082)	-	(1,864,082)
Community Services	290,829	-	290,829	-	-	-	-
Facility Acquisition and Construction	136,940	-	-	-	(136,940)	-	(136,940)
Debt Service	1,242,552	-	-	1,234,561	(7,991)	-	(7,991)
Total Government Activities	27,224,100	-	2,857,895	1,234,561	(23,131,644)	-	(23,131,644)
Business-Type Activities:							
Food Service	1,775,078	250,431	1,542,048	85,850	-	103,251	103,251
Total Business-Type Activities	1,775,078	250,431	1,542,048	85,850	-	103,251	103,251
Total School District	\$ 28,999,178	\$ 250,431	\$ 4,399,943	\$ 1,320,411	\$ (23,131,644)	\$ 103,251	\$ (23,028,393)
General Revenues							
Taxes					7,040,691	-	7,040,691
Intergovernmental Revenues					16,318,924	-	16,318,924
Investment Earnings					1,669	383	2,052
Federal Sources					48,368	-	48,368
Miscellaneous					328,762	10,112	338,874
Operating Transfers - Debt Service					1,120,604	-	1,120,604
Gain on Sale of Assets					6,262	-	6,262
Total General Revenues					\$ 24,865,280	\$ 10,495	\$ 24,875,775
Change In Net Position					1,733,636	113,746	1,847,382
Net Position, June 30, 2014					14,601,367	157,941	14,759,308
Prior Period Adjustments (See Note 2)					(4,907,893)	(715,107)	(5,623,000)
Net Position, June 30, 2014, as restated					9,693,474	(557,166)	9,136,308
Net Position, June 30, 2015					\$ 11,427,110	\$ (443,420)	\$ 10,983,690

See Notes to the Basic Financial Statements.

GREENUP COUNTY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 4,843,718	\$ 111,084	\$ 101,230	\$ 5,056,032
Receivables (net of allowances for uncollectibles):				
Property Taxes	133,293	-	-	133,293
Intergovernmental - State	-	234,604	-	234,604
Total Assets	<u>\$ 4,977,011</u>	<u>\$ 345,688</u>	<u>\$ 101,230</u>	<u>\$ 5,423,929</u>
Deferred Outflows of Resources	-	-	-	-
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Liabilities:				
Accounts Payable	\$ 42,712	\$ 17,258	\$ -	\$ 59,970
Payroll Taxes Payable	5,894	-	-	5,894
Accrued Sick Leave	326,270	-	-	326,270
Total Liabilities	<u>\$ 374,876</u>	<u>\$ 17,258</u>	<u>\$ -</u>	<u>\$ 392,134</u>
Deferred Inflows of Resources				
Grant Revenue Received in Advance	-	328,430	-	328,430
Total Deferred Inflows of Resources	<u>-</u>	<u>328,430</u>	<u>-</u>	<u>328,430</u>
Fund Balances:				
Assigned - Site Based Carryforward	\$ 139,076	\$ -	\$ -	\$ 139,076
Restricted - Other	-	-	101,230	101,230
Restricted - Accrued Sick Leave	250,000	-	-	250,000
Unassigned	4,213,059	-	-	4,213,059
Total Fund Balances	<u>\$ 4,602,135</u>	<u>\$ -</u>	<u>\$ 101,230</u>	<u>\$ 4,703,365</u>

See Notes to the Basic Financial Statements.

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

Total Governmental Fund Balance	\$	4,703,365
Amounts Reported for Governmental Activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		28,689,217
Certain other assets and liabilities are not available to pay current period expenditures and therefore are not reported in this fund.		(140,395)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in funds:		
Deferred pension investment earnings		(530,678)
Deferred pension contributions		596,970
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(21,891,369)
Net Position of Governmental Activities	<u>\$</u>	<u>11,427,110</u>

See Notes to the Basic Financial Statements.

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

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 6,602,558	\$ -	\$ 438,133	\$ 7,040,691
Interest Income	1,663	-	6	1,669
Intergovernmental - State	16,318,924	690,181	1,234,561	18,243,666
Intergovernment - Federal	48,368	2,054,116	-	2,102,484
Other Local Revenues	328,762	51,857	-	380,619
Total Revenues	<u>\$ 23,300,275</u>	<u>\$ 2,796,154</u>	<u>\$ 1,672,700</u>	<u>\$ 27,769,129</u>
Expenditures:				
Instruction	\$ 10,759,792	\$ 2,320,731	\$ -	\$ 13,080,523
Students	1,732,860	32,766	-	1,765,626
Instructional Staff	1,333,294	115,089	-	1,448,383
District Administration	1,165,537	-	-	1,165,537
School Administration	1,923,442	-	-	1,923,442
Business and Other Support Services	620,948	-	-	620,948
Operation and Maintenance of Plant	2,497,804	98,480	-	2,596,284
Student Transportation	1,665,780	-	-	1,665,780
Community Services	-	290,829	-	290,829
Facility Acquisition and Construction	-	-	136,940	136,940
Debt Service	348,392	-	1,605,329	1,953,721
Total Expenditures	<u>\$ 22,047,849</u>	<u>\$ 2,857,895</u>	<u>\$ 1,742,269</u>	<u>\$ 26,648,013</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 1,252,426</u>	<u>\$ (61,741)</u>	<u>\$ (69,569)</u>	<u>\$ 1,121,116</u>
Other Financing Sources (Uses):				
Proceeds on Sale of Bonds	\$ -	\$ -	\$ -	\$ -
Gain on Sale of Equipment	6,262	-	-	6,262
Operating Transfers In	-	263,277	1,120,604	1,383,881
Operating Transfers Out-Other Funds	(61,741)	(201,536)	-	(263,277)
Operating Transfers Out-Debt Service	-	-	(1,120,604)	(1,120,604)
Total Other Financing (Uses) Sources	<u>\$ (55,479)</u>	<u>\$ 61,741</u>	<u>\$ -</u>	<u>\$ 6,262</u>
Net Change in Fund Balances	<u>\$ 1,196,947</u>	<u>\$ -</u>	<u>\$ (69,569)</u>	<u>\$ 1,127,378</u>
Fund Balances, June 30, 2014	\$ 3,405,188	\$ -	\$ 170,799	\$ 3,575,987
Fund Balances, June 30, 2015	<u>\$ 4,602,135</u>	<u>\$ -</u>	<u>\$ 101,230</u>	<u>\$ 4,703,365</u>

See Notes to the Basic Financial Statements.

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

Amounts Reported For Governmental Activities in the Statement of Net Position are Different Because:

Net Changes in Fund Balance - Governmental Funds \$ 1,127,378

Governmental funds report capital outlays as expenditures because they use current financial resources. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expenses exceeds capital for the year.

Depreciation expense	(1,384,596)	
Capital outlay	<u>399,843</u>	(984,753)

Governmental funds report pension contributions as expenditures when paid. However, in the Statement of Activities, pension expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows of resources related to pensions and investment experience:

KTRS on-behalf revenue	1,419,024	
KTRS on-behalf pension expense	(1,419,024)	
CERS contributions	596,970	
Pension Expense	<u>(380,552)</u>	216,418

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

Principal paid	1,463,128
----------------	-----------

Generally, expenditures recognized in the fund financial statements are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred for the following:

Long-term portion of accrued sick leave	(56,800)
Interest payable	5,823
KSBIT Assessment Payable	147,389

Bond and capital lease proceeds are recognized as revenues in the fund financial statements, but are increases in liabilities in the Statement of Net Position	(184,947)
--	-----------

Change in Net Position of Governmental Activities	<u><u>\$ 1,733,636</u></u>
---	----------------------------

See Notes to the Basic Financial Statements.

GREENUP COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2015

	Food Service Fund
Assets:	
Current Assets:	
Cash and Cash Equivalents	\$ 66,378
Receivables (net of allowances for uncollectibles):	
Intergovernmental - State	13,902
Inventories	41,464
Total Current Assets	121,744
Noncurrent Assets:	
Capital Assets, Net of Accumulated Depreciation	131,363
Total Noncurrent Assets	131,363
Total Assets	253,107
Deferred Outflows of Resources:	
Deferred Pension Contributions	86,982
Total Deferred Outflows of Resources	86,982
Liabilities:	
Current Liabilities:	
Accounts Payable	\$ 12,953
Total Current Liabilities	12,953
Noncurrent Liabilities:	
Net Pension Liability	693,233
Total Liabilities	706,186
Deferred Inflows of Resources:	
Deferred Earnings on Pension Investments	77,323
Total Deferred Inflows of Resources	77,323
Net Position:	
Investment in Capital Assets	131,363
Restricted	(574,783)
Total Net Position	(443,420)

See Notes to the Basic Financial Statements.

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

	<u>Food Service Fund</u>
Operating Revenues:	
Lunchroom Sales	\$ 250,431
Other Operating Revenues	10,112
Total Operating Revenues	<u>\$ 260,543</u>
Operating Expenses:	
Salaries and Benefits	\$ 791,002
Contract Services	3,295
Materials and Supplies	939,364
Depreciation	26,577
Other Operating Expenses	14,840
Total Operating Expenses	<u>\$ 1,775,078</u>
Operating Loss	<u>\$ (1,514,535)</u>
Nonoperating Revenues:	
Federal Grants	\$ 1,361,912
State Grants	180,136
Donated Commodities	85,850
Interest Income	383
Total Nonoperating Revenues	<u>\$ 1,628,281</u>
Nonoperating Expenses:	
Miscellaneous	-
Total Nonoperating Expenses	<u>\$ -</u>
Other Financing Sources (Uses):	
Operating Transfers In	-
Total Other Financing Sources (Uses)	<u>-</u>
Increase in Net Position	<u>\$ 113,746</u>
Net Position, June 30, 2014, as restated	\$ (557,166)
Net Position, June 30, 2015	<u>\$ (443,420)</u>

See Notes to the Basic Financial Statements.

GREENUP COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Food Service Fund
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating loss	\$ (1,514,535)
Adjustments to Reconcile Operating Loss to	
Net Cash Used for Operating Activities:	
Depreciation	26,577
Donated commodities	85,850
Employee benefits paid by KDE	163,375
Net pension adjustment	(31,533)
Change in assets and liabilities:	
Inventory	(26,295)
Accounts payable	(28,594)
Accounts receivable	23,952
Other receipts	-
Net Cash Used for Operating Activities	\$ (1,301,203)
 Cash Flows From Noncapital Financing Activities:	
Government Grants	1,378,674
Interfund Transfer	-
Net Cash Provided by Noncapital and Related Financing Activities	\$ 1,378,674
 Cash Flows From Capital and Related Financing Activities:	
Purchases of Capital Assets	-
Net Cash Provided by Capital and Related Financing Activities	\$ -
 Cash Flows From Investing Activities:	
Interest Received on Investments	383
Net Cash Provided by Investing Activities	\$ 383
 Net Increase in Cash and Cash Equivalents	\$ 77,854
 Cash Balance, June 30, 2014	\$ (11,476)
 Cash Balance, June 30, 2015	\$ 66,378
 Non-Cash Items:	
Employee benefits paid by KDE	\$ 163,375
Donated commodities	\$ 85,850

See Notes to the Basic Financial Statements.

GREENUP COUNTY SCHOOL DISTRICT
 STATEMENT OF NET POSITION - FIDUCIARY FUNDS
 JUNE 30, 2015

	Agency Funds
Assets:	
Cash and Cash Equivalents	\$ 195,889
Total Assets	195,889
Liabilities:	
Due to Students	195,889
Total Liabilities	195,889
Net Position Held in Trust	\$ -

See Notes to the Basic Financial Statements.

GREENUP COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 1 – Nature of Activities:

A. Reporting Entity

The Greenup County Board of Education (the "Board"), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the Greenup County School District (the "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 as Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Board. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as 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. Copies of component unit reports may be obtained from the District's Finance Office at 45 Musketeer Drive, Greenup, Kentucky 41144.

Greenup County School District Finance Corporation - On September 27, 1993, the Greenup County Board of Education resolved to authorize the establishment of the Greenup County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Greenup County Board of Education also comprise the Corporation's Board of Directors.

B. Summary of Significant Accounting Policies and Description of Funds

Basis of Presentation

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the District as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

Government-wide Statements - Provide information about the primary government (the District). The statements include a statement of net assets and a statement of activities. These statements report the financial activities of the overall government and business-type activities of the District. Governmental

GREENUP COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 1 – Nature of Activities (Cont.):

activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a 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 - 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) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.

(B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs.

GREENUP COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 1 – Nature of Activities (Cont.):

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.

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

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

ii. The Facility Support Program of Kentucky Fund (FSPK) accounts for funds generated by the building tax levy and also participates in the Kentucky 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.

iii. The Construction Fund includes Capital Projects Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.

(D) Debt Service Funds are used to account for the accumulation of resources for, and payment of, general long-term debt principal and interest and related costs; and, for the payment of interest on general obligation notes payable, as required by Kentucky law.

II. Proprietary Fund Type (Enterprise 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 contributions of commodities from the USDA. The Food Service Fund is a major fund.

The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

III. Fiduciary Fund Type (includes Agency and Trust Funds)

The Activity Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the *Uniform Program of Accounting for School Activity Funds*.

GREENUP COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 1 – Nature of Activities (Cont.):

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.

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.

Nonexchange 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, revenues from property taxes are 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.

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

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 school year is reported in the statement of revenues, expenses, and changes in net assets as an expense with a like amount reported as donated commodities 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 which the related fund liability is incurred, if measurable.

GREENUP COUNTY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 1 – Nature of Activities (Cont.):

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are appropriated in the next year. A reservation of fund balance equal to outstanding encumbrances at year-end is provided for at June 30, 2015. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying combined financial statements related to encumbrance accounting. Encumbrances outstanding at year-end are reported in the appropriate fund balance category (restricted, committed or assigned) since they do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets 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 assets and in the respective fund. 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 five 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 asset's life are not.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Infrastructure	20 years
Technology equipment	5 years
Machinery and equipment	5-10 years
Vehicles	5-10 years
Food service equipment	10-12 years

Interfund Activity

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 assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

GREENUP COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 1 – Nature of Activities (Cont.):

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

Supplies and materials are charged to expenditures when purchased with the exception of the Proprietary Funds, which records inventory at cost, on the first-in, first-out basis, using the accrual basis of accounting.

Budgetary Process

The District is required by state law to adopt annual budgets for the general fund, special revenue fund, capital outlay fund and the food service fund. The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major difference between the budgetary basis and the GAAP basis is that on-behalf payments made by the state for the District are not budgeted. See Note 14 for these amounts which were not known by the District at the time the budget was adopted.

Property Taxes

Property taxes collected are recorded as revenues in the fund for which they were levied. The District's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business property located in the District. The assessed value of property upon which the levy for the 2015 fiscal year was based was \$753,906,681.

The tax rates assessed for the year ended June 30, 2015, to finance general fund operations were \$.825 on real estate and \$.494 on motor vehicles, per \$100 valuation.

Taxes are due on October 1 and become delinquent by February 1 following the October 1 levy date. Current tax collections for the year ended June 30, 2015, were approximately 95% of the tax levy.

GREENUP COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 1 – Nature of Activities (Cont.):

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, 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, all 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 Balance Reserves

The District reserves those portions of fund balances which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion, which is available for appropriation in future periods. Fund balances reserves have been established for accrued sick leave. Unreserved fund balances are composed of designated and undesignated portions. The undesignated portion of the unreserved fund balance represents that portion of fund balance that is available for budgeting in future periods. Designated fund balances represent tentative plans for future use of financial resources.

Fund Equity

The Board adopted GASB Statement No. 54 “Fund Balance Reporting and Governmental Fund Type Definitions,” which establishes new standards of accounting and financial reporting that are intended to improve the clarity and consistency of the fund balance information provided to financial report users. The classifications are based primarily on the extent to which the Board is bound to honor constraints on the specific purposes for which the amounts in those funds can be spent. Fund balances are reported in the following categories:

- I. Nonspendable fund balances include amounts that cannot be spent because they are in a nonspendable form, such as inventory, or prepaid expense amounts, or they are legally or contractually required to be maintained intact, such as the corpus of a permanent fund.
- II. Restricted fund balances are restricted due to legal restrictions from creditors, grantors, or laws and regulations of other governments or by legally enforceable enabling legislation or constitutional provisions.
- III. Committed fund balances are amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority, which for the county is the five-member School Board. Said specific purposes and amounts are recorded in the official Board minutes of the fiscal year ended June 30, 2015.

GREENUP COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 1 – Nature of Activities (Cont.):

IV. Those committed amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

V. Assigned fund balances are constrained by the intent to use funds for specific purposes, but are neither restricted nor committed. Intent can be expressed by the five-member School Board or by a body or official to which the School Board has delegated the authority to assign amounts to be used for specific purposes. By reporting particular amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund, the Board has assigned those amounts to the purposes of the respective funds.

VI. Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. In other funds, any negative fund balances would be unassigned.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the propriety funds. For the District, those revenues are primarily charges for meals provided by the various schools. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the foods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

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.

Restricted Resources

Restricted resources should be applied first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. If an expense is incurred for purposes for which committed, assigned and unassigned fund balances are all available, the fund balances should be reduced in the following order: committed, assigned, and then unassigned.

GREENUP COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 1 – Nature of Activities (Cont.):

Deferred Outflow of Resources:

A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period.

Balances of deferred outflows of resources may be presented in the statement of net position or governmental fund balance sheet as aggregations of different types of deferred amounts. For the fiscal year ended June 30, 2015, the District reported deferred outflows of resources on the government-wide financial statements for a deferred pension contribution.

Deferred Inflow of Resources

A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period.

Balances of deferred inflows of resources may be presented in the statement of net position or governmental fund balance sheet as aggregations of different types of deferred amounts. For the fiscal year ended June 30, 2015, the District reported deferred inflows of resources on the government-wide financial statements for grant revenue received in advance, deferred pension investment earnings, and a deferred gain on a refunding of debt. The District reported referred inflows of resources on the fund financial statements for grant revenue received in advance.

Pensions

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

Note 2 - Change in Accounting Principle:

The Board changed its method of accounting for the following items in order to comply with accounting principles generally accepted in the United States of America:

GASB 63 – As of July 1, 2012, the Board implemented GASB Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.” This statement changed the name of the district-wide statement formerly known as the Statement of Net Assets to the Statement of Net Position. It also added new categories of Deferred Outflows of Resources and Deferred Inflows of Resources to the district-wide Statement of Net Position and the governmental fund Balance Sheet.

GREENUP COUNTY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 2 - Change in Accounting Principle (Cont.):

GASB 65 – As of July 1, 2012, the Board implemented GASB Statement No. 65, “Items Previously Reported as Assets and Liabilities”. Upon implementation, this statement reclassified some items currently reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources.

GASB 68 – As of July 1, 2014, the Board 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 Board, are required to report a net pension liability, pension expense and pension-related assets and liabilities based on their proportionate share of the collective amounts for all governments in the plan.

GASB 68 required retrospective application. Since the Board only presents one year of financial information, the beginning net pension was adjusted to reflect the retrospective application. The adjustment resulted in a \$5,623,000 reduction in beginning net position on the Statement of Activities and an increase of \$728,090 of deferred outflows of resources – Board contributions subsequent to the measurement date.

	Governmental Activities	Business-Type Activities	Total
Net Position as previously reported at June 30, 2014	\$14,601,367	\$157,941	\$14,759,308
Prior period adjustment implementation of GASB 68:			
Net pension liability (measurement date as of June 30, 2014)	(5,545,092)	(805,998)	(6,351,090)
Deferred outflows Board contributions made during 2014	<u>637,199</u>	<u>90,891</u>	<u>728,090</u>
Total prior period adjustment	<u>(4,907,893)</u>	<u>(715,107)</u>	<u>(5,623,000)</u>
Net position as restated, June 30, 2014	<u>\$ 9,693,474</u>	<u>(\$557,166)</u>	<u>\$ 9,136,308</u>

Note 3 – Estimates:

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

Note 4 – Cash and Cash Equivalents:

The funds of the District must be deposited and invested under the terms of a contract. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

GREENUP COUNTY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 4 – Cash and Cash Equivalents (Cont.):

At June 30, 2015, the carrying amount of the Board's cash and cash equivalents was \$5,122,413 and the bank balances totaled \$5,892,712. Of the total bank balances, \$244,620 was insured by Federal Depository insurance, with the remainder covered by a collateral agreement and collateral held by the pledging banks' trust departments in the District's name.

The cash deposits held at financial institutions can be categorized according to three levels of risk.

These three levels of risks are as follows:

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

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

Category 3 - Deposits, which are not collateralized or insured.

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

General Fund cash and cash equivalents at June 30, 2015, consisted of a money market checking account.

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) Fund, Education Building Fund, Special Revenue (Grant) Funds, Bond and Interest Redemption Fund, School Food Service Funds, and School Activity Funds.

Note 5 – Capital Assets:

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

<u>Governmental Activities</u>	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Land	\$ 136,284	\$ -	\$ -	\$ 136,284
Buildings and Improvements	44,363,804	157,541	-	44,521,345
Infrastructure	379,178	-	-	379,178
Technology Equipment	3,792,071	155,026	-	3,947,097
Machinery and Equipment	534,837	16,980	-	551,817
Vehicles	<u>3,278,062</u>	<u>189,374</u>	<u>119,078</u>	<u>3,348,358</u>
Total	\$ 52,484,236	\$ 518,921	\$ 119,078	\$ 52,884,079
Less: Accumulated Depreciation:				
Buildings and Improvements	\$ 16,196,967	\$ 1,073,675	\$ -	\$ 17,270,642
Infrastructure	155,200	18,959	-	174,159
Technology Equipment	3,391,459	178,978	-	3,570,437
Machinery and Equipment	383,429	23,189	-	406,618
Vehicles	<u>2,683,211</u>	<u>208,873</u>	<u>119,078</u>	<u>2,773,006</u>
Total	\$ 22,810,266	\$ 1,503,674	\$ 119,078	\$ 24,194,862
Governmental Activities Capital Assets - Net:	\$ <u>29,673,970</u>	\$ <u>(984,753)</u>	\$ <u>-</u>	\$ <u>28,689,217</u>
<u>Business-Type Activities</u>				
Food Service Equipment	\$ 891,243	\$ -	\$ -	\$ 891,243
Less: Accumulated Depreciation:	<u>733,303</u>	<u>26,577</u>	<u>-</u>	<u>759,880</u>
Business-Type Activities Capital Assets – Net	\$ <u>157,940</u>	\$ <u>(26,577)</u>	\$ <u>-</u>	\$ <u>131,363</u>

Depreciation expense was allocated to governmental functions as follows:

Instruction	\$ 1,179,455
Student support	116
Direct administration	41,622
School administration	4,529
Business support services	906
Plant operation and maintenance	78,744
Student transportation	<u>198,302</u>
Total	\$ <u>1,503,674</u>

GREENUP COUNTY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 6 – Debt Obligations:

The amount shown in the accompanying financial statements as debt obligations represents the District's future obligations to make lease payments relating to the bonds issued by the Greenup County School District Financial Corporation and the Kentucky School Construction Commission aggregating \$22,409,050.

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

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
2002	\$ 3,395,000	1.35% to 4.00%
2007	5,310,000	3.50% to 3.875%
2008	2,355,000	2.40% to 3.50%
2010	1,630,000	1.00% to 4.20%
2010-REF	4,750,000	0.60% to 2.55%
2011-REF	2,325,000	1.10% to 2.50%
2012K	479,050	2.00%
2013E	1,380,000	1.85%
2013	<u>785,000</u>	1.85% to 4.25%
	\$ 22,409,050	

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Greenup County School District Financial Corporation and the Kentucky School Construction Commission 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 proceeds from certain refunding issues have been placed in escrow accounts to be used to service the related debt.

KSBIT Payable

The Kentucky School Boards Insurance Trust (“KSBIT”) notified the District during the year that their self-insurance pools for worker’s compensation and liability insurance were underfunded. As a result, an assessment will be required under a fair methodology to be approved by the Kentucky Department of Insurance, of current and past participating members to fund the deficit and the transfer of liability to a qualified insurer/reinsurer. On June 24, 2013, the KSBIT Board voted to submit a plan to the Kentucky Department of Insurance using the novation option. A novation transfers all existing KSBIT claims and risk to a highly rated reinsurer which will continue to make claims payments. Under the novation method, the District’s liability would be \$735,698. The Franklin Circuit Court reviewed and approved plans submitted by a Rehabilitator for revised assessments. At the July 28, 2014 Board of Education meeting, the District approved payment plans as prescribed by notification from the KSBIT Workers’ Compensation Fund and the KSBIT Property and Liability Fund. The overall KSBIT Assessment was reduced by the Franklin Circuit Court’s approval of the Rehabilitator’s plan. The revised amount of the KSBIT Assessment is \$497,912. The KSBIT Workers’ Compensation Fund Assessment of \$345,169 will be paid over the course of 7 years beginning with the year ending June 30, 2015. The KSBIT Property and Liability Fund Assessment of \$152,743 will be paid over the course of 3 years beginning with the year ending June 30, 2015.

GREENUP COUNTY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 6 – Debt Obligations (Cont.):

The changes in the general long-term debt for the year ended June 30, 2015, were as follows:

	<u>Balance</u> <u>July 1, 2014</u>	<u>New Issues</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2015</u>
General obligation bonds - \$22,409,050 originally issued with interest rates ranging from 0.60% to 4.25%	\$ 15,795,350	\$ -	\$ 1,237,850	\$ 14,557,500
KISTA Loans	1,500,382	184,947	225,278	1,460,051
KSBIT Assessment Payable	497,912	-	147,389	350,523
Accumulated Sick Leave	<u>1,006,424</u>	<u>81,143</u>	<u>-</u>	<u>1,087,567</u>
Total	\$ <u>18,800,068</u>	\$ <u>266,090</u>	\$ <u>1,610,517</u>	\$ <u>17,455,641</u>

The District has entered into "participation agreements" with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs.

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

Year	<u>Greenup County</u> <u>School District</u>		<u>Kentucky School Facilities</u> <u>Construction Commission</u>		Total Principal
	Principal	Interest	Principal	Interest	
2016	\$ 1,097,641	\$ 381,618	\$ 231,606	\$ 95,665	\$ 1,329,247
2017	1,121,874	353,053	237,796	89,477	1,359,670
2018	1,111,909	323,422	265,768	82,822	1,377,677
2019	1,055,844	293,394	232,747	75,335	1,288,591
2020-2024	5,587,847	1,031,734	1,052,366	272,097	6,640,213
2025-2029	2,920,213	249,075	661,940	116,627	3,582,153
2030-2034	<u>176,598</u>	<u>11,869</u>	<u>263,402</u>	<u>19,419</u>	<u>440,000</u>
Total	\$ <u>13,071,926</u>	\$ <u>2,644,165</u>	\$ <u>2,945,625</u>	\$ <u>751,442</u>	\$ <u>16,017,551</u>

On September 10, 2003, the District sold \$500,000 of Qualified Zone Academy Bonds ("QZAB"). QZAB's are financing instruments that are used to finance renovations and repairs to schools, with the federal government providing the interest payment and the school district being responsible for the repayment of principal only. A school district must meet certain eligibility criteria to qualify for a QZAB bond issue. To be eligible, a school district must either be located in an Empowerment Zone or Enterprise Community, or, have at least 35% of the school's students eligible for free or reduced lunches under the Federal National School Lunch Program. Requirements of the QZAB program are as follows: The District must lease the school project through the maturity of September 10, 2019. The District elected to make a

GREENUP COUNTY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 6 – Debt Obligations (Cont.):

prepayment of rentals due in an amount, which when invested, in accordance with the investment agreement, will produce the entire principal amount due on the bonds on or before the maturity date. These QZAB bonds were refunded during the 2012-2013 fiscal year for a savings to the District of \$24,247 which will be amortized through the Deferred Inflows of Resources on the Statement of Net Position.

Note 7 – Accumulated Unpaid Sick Leave Benefits:

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. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's past experience of making termination payments. The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accrued sick leave" in the general fund. The noncurrent portion of the liability is not reported in the fund financial statements.

Note 8 – Interfund Transfers:

Interfund transfers at June 30, 2015, consisted of the following:

<u>Type</u>	<u>From</u>	<u>To</u>	<u>Purpose</u>	<u>Amount</u>
Operating	General	Special Revenue	Technology	\$ 61,741
Debt Service	Capital Projects	Debt Service	Bond Payments	\$ 1,120,604
Operating	Special Revenue	Special Revenue	Inter-Grant	\$ 201,536

Note 9 – Capital Lease Payable:

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

Year ending June 30:	
2016	\$ 296,928
2017	260,075
2018	211,715
2019	92,597
Thereafter	\$ <u>270,738</u>
Total minimum lease payments	\$ 1,132,053
Less: Amount representing interest	(89,502)
Present value of net minimum lease payments	\$ 1,042,551

These capital leases are also included in **Note 7 - Debt Obligations.**

GREENUP COUNTY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 10 – Retirement Plans:

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

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

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

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

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

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

GREENUP COUNTY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 10 – Retirement Plans (Cont.):

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

	Required contribution
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 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.

GREENUP COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 10 – Retirement Plans (Cont.):

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.

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.

GREENUP COUNTY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 10 – Retirement Plans (Cont.):

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

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

District's proportionate share of the CERS net pension liability	\$	5,451,000
Commonwealth’s proportionate share of the KTRS net pension liability associated with the District		74,703,628
	\$	80,154,628

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

The District’s proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2014, the District’s proportion was 0.168008% percent.

For the year ended June 30, 2015, the District recognized pension expense of \$619,090 related to CERS and \$3,660,630 related to KTRS. The District also recognized revenue of \$3,660,630 for KTRS support provided by the Commonwealth. At June 30, 2014, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	608,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
District contributions subsequent to the measurement date	683,952	-
Total	\$ 683,952	\$ 608,000

GREENUP COUNTY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 10 – Retirement Plans (Cont.):

The \$683,952 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	121,600
2017	121,600
2018	121,600
2019	121,600
2020	121,600

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

	CERS	KTRS
Inflation	3.50%	3.50%
Projected salary increases	4.50%	4.0-8.2%
Investment rate of return, net of investment expense & 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.

GREENUP COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 10 – Retirement Plans (Cont.):

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	30.0%	8.45%
Non U.S. Equity	22.0%	8.85%
Emerging Market Equity	5.0%	10.50%
Private Equity	7.0%	11.25%
Real Estate	5.0%	7.00%
Core U.S. Fixed Income	10.0%	5.25%
High Yield Fixed Income	5.0%	7.25%
Non U.S. Fixed Income	5.0%	5.50%
Commodities	5.0%	7.75%
TIPS	5.0%	5.00%
Cash	1.0%	3.25%
Total	<u>100.0%</u>	

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	45.0%	6.4%
Non U.S. Equity	17.0%	6.5%
Fixed Income	24.0%	1.6%
High Yield Bonds	4.0%	3.1%
Real Estate	4.0%	5.8%
Alternatives	4.0%	6.8%
Cash	2.0%	1.5%
Total	<u>100.0%</u>	

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

GREENUP COUNTY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 10 – Retirement Plans (Cont.):

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:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	6.75%	7.75%	8.75%
District's proportionate share of net pension liability	4,747,645	5,451,000	6,154,355
KTRS	4.23%	5.23%	6.23%
District's proportionate share of net pension liability	-	-	-

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

Note 11 – Contingencies:

The District receives funding from federal, state, and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantors 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 unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant program is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

The District is subject to certain legal proceedings arising from normal business activities. Administrative officials believe that these actions are without merit or that the ultimate liability, if any, resulting from them will not materially affect the accompanying financial statements.

GREENUP COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 12 – Risk Management:

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the 2012-2013 fiscal year, to obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District participated in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance program for all school districts and other tax supported as common risk management and insurance program for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association.

The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance Fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

The Kentucky School Boards Insurance Trust (“KSBIT”) notified the District during the year that their self-insurance pools for worker’s compensation and liability insurance were underfunded. As a result, an assessment will be required under a fair methodology to be approved by the Kentucky Department of Insurance, of current and past participating members to fund the deficit and the transfer of liability to a qualified insurer/reinsurer. On June 24, 2013, the KSBIT Board voted to submit a plan to the Kentucky Department of Insurance using the novation option. A novation transfers all existing KSBIT claims and risk to a highly rated reinsurer which will continue to make claims payments. Under the novation method, the District’s liability would be \$735,698. The Franklin Circuit Court reviewed and approved plans submitted by a Rehabilitator for revised assessments. At the July 28, 2014 Board of Education meeting, the District approved payment plans as prescribed by notification from the KSBIT Workers’ Compensation Fund and the KSBIT Property and Liability Fund. The overall KSBIT Assessment was reduced by the Franklin Circuit Court’s approval of the Rehabilitator’s plan. The revised amount of the KSBIT Assessment is \$497,912. The KSBIT Workers’ Compensation Fund Assessment of \$345,169 will be paid over the course of seven years beginning with the year ending June 30, 2015. The KSBIT Property and Liability Fund Assessment of \$152,743 will be paid over the course of 3 years beginning with the year ending June 30, 2015.

For the 2013-2014 fiscal year, the District participated in the bidding process to obtain insurance for workers' compensation, errors and omissions, and general liability coverage. The District was able to obtain such coverage going forward.

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

GREENUP COUNTY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 13 – 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 14 – On-Behalf Payments:

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

<u>Plan/Description</u>	<u>Amount</u>
Kentucky Teachers Retirement System	\$ 1,419,024
Health & Life Insurance	2,754,551
Technology	64,147
Debt Service	<u>452,038</u>
Total	\$ 4,689,760

These amounts are included the Government-wide Statement of Activities as State Revenue and an expense allocated to the different functions in the same proportion as full-time employees.

Note 15 – Fund Balance:

The detailed components of the various fund balance categories as of June 30, 2015, are as follows:

Fund Balance	General Current Expense	Capital Outlay and Building Fund	Construction Fund	Debt Service Fund	Total Governmental Funds
Assigned to:					
Site Based Carryforward	\$ 139,076	\$ -	\$ -	\$ -	\$ 139,076
Restricted:					
Other	-	71,439	29,791	-	101,230
Accrued Sick Leave	250,000	-	-	-	250,000
Unassigned	4,213,059	-	-	-	4,213,059
Total Fund Balance	<u>\$4,602,135</u>	<u>\$71,439</u>	<u>\$ 29,791</u>	<u>\$ -</u>	<u>\$ 4,703,365</u>

Note 16 – Encumbrances:

The District did not have any encumbrances as of June 30, 2015.

GREENUP COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 17 – Commitments, Contingencies, and Subsequent Events:

All commitments, contingencies, and subsequent events have been evaluated by management and have been properly disclosed up through November 11, 2015, the date of this report.

GREENUP COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES - BUDGET
AND ACTUAL (NON-GAAP BUDGETARY BASIS) - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues:				
Taxes	\$ 5,655,000	\$ 6,025,000	\$ 6,602,558	\$ 577,558
Other Local Sources	216,500	216,500	330,425	113,925
State Sources	16,211,019	16,271,394	16,318,924	47,530
Federal Sources	50,000	50,000	48,368	(1,632)
Other Sources	2,500	2,500	6,262	3,762
Total Revenues	<u>\$ 22,135,019</u>	<u>\$ 22,565,394</u>	<u>\$ 23,306,537</u>	<u>\$ 741,143</u>
Expenditures:				
Instruction	\$ 10,408,368	\$ 10,458,010	\$ 10,759,792	\$ (301,782)
Support Services:				
Students	1,609,075	1,652,421	1,732,860	(80,439)
Instructional Staff	1,228,637	1,257,136	1,333,294	(76,158)
District Administration	1,410,206	1,567,744	1,165,537	402,207
School Administration	1,978,860	2,054,345	1,923,442	130,903
Business and Other Support Services	561,353	559,472	620,948	(61,476)
Operation and Maintenance of Plant	3,052,404	3,175,665	2,497,804	677,861
Student Transportation	2,119,104	2,136,604	1,665,780	470,824
Debt Service	355,000	353,688	348,392	5,296
Contingency	1,372,012	2,456,096	-	2,456,096
Other	50,000	50,000	61,741	(11,741)
Total Expenditures	<u>\$ 24,145,019</u>	<u>\$ 25,721,181</u>	<u>\$ 22,109,590</u>	<u>\$ 3,611,591</u>
Net Change In Fund Balance	<u>\$ (2,010,000)</u>	<u>\$ (3,155,787)</u>	<u>\$ 1,196,947</u>	<u>\$ 4,352,734</u>
Fund Balance, June 30, 2014	\$ 2,010,000	\$ 3,155,787	\$ 3,405,188	\$ 249,401
Fund Balance, June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,602,135</u>	<u>\$ 4,602,135</u>
Adjustments to Generally Accepted Accounting Principles - Intergovernmental State Revenue			\$ 4,074,348	
On-behalf Payments:				
Instruction			(2,387,450)	
Support Services:				
Students			(386,772)	
Instructional Staff			(268,877)	
General Administration			(46,318)	
School Administration			(361,431)	
Business and Other Support Services			(85,852)	
Operation and Maintenance of Plant			(229,901)	
Student Transportation			(243,600)	
Technology			(64,147)	
Fund balance, June 30, 2015 (GAAP basis)			<u>\$ 4,602,135</u>	

GREENUP COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues:				
Other Local Sources	\$ 3,991	\$ 3,991	\$ 51,857	\$ 47,866
State Sources	655,401	655,401	690,181	34,780
Federal Sources	1,951,544	1,951,544	2,054,116	102,572
Total Revenues	<u>\$ 2,610,936</u>	<u>\$ 2,610,936</u>	<u>\$ 2,796,154</u>	<u>\$ 185,218</u>
Expenditures:				
Instruction	\$ 2,196,353	\$ 2,196,353	\$ 2,320,731	\$ (124,378)
Support Services				
Students	54,044	54,044	32,766	21,278
Instructional Staff	124,252	124,252	115,089	9,163
Operation and Maintenance of Plant	-	-	98,480	(98,480)
Community Services	286,287	286,287	290,829	(4,542)
Total Expenditures	<u>\$ 2,660,936</u>	<u>\$ 2,660,936</u>	<u>\$ 2,857,895</u>	<u>\$ (196,959)</u>
(Deficiency) Excess of Revenues (Under) Over Expenditures	<u>\$ (50,000)</u>	<u>\$ (50,000)</u>	<u>\$ (61,741)</u>	<u>\$ 382,177</u>
Other Financing Sources (Uses):				
Transfers In	\$ 238,743	\$ 238,743	\$ 263,277	\$ (24,534)
Transfers Out	(188,743)	(188,743)	(201,536)	12,793
Total Other Financing Sources (Uses)	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 61,741</u>	<u>\$ (11,741)</u>
Net Change In Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 370,436</u>
Fund Balance, June 30, 2014	\$ -	\$ -	\$ -	\$ -
Fund Balance, June 30, 2015	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 370,436</u></u>

GREENUP COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2015

	Reported Fiscal Year (Measurement Date)
	2015 (2014)
COUNTY EMPLOYEES RETIREMENT SYSTEM:	
District's proportion of the net pension liability	0.168008%
District's proportionate share of the net pension liability	\$ 5,451,000
District's covered-employee payroll	\$ 3,870,696
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	140.8300%
Plan fiduciary net position as a percentage of the total pension liability	66.800%
KENTUCKY TEACHER'S RETIREMENT SYSTEM	
District's proportion of the net pension liability	0.3650%
District's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the District	\$ 74,703,628
Total	\$ 74,703,628
District's covered-employee payroll	\$ 11,396,368
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	45.590%

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

GREENUP COUNTY SCHOOL DISTRICT
SCHEDULE OF PENSION CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>2015</u>	<u>2014</u>
COUNTY EMPLOYEES RETIREMENT SYSTEM:		
Contractually required contribution	\$ 683,952	\$ 727,624
Contributions in relation to the contractually required contribution	<u>\$ 683,952</u>	<u>\$ 727,624</u>
Contribution deficiency(excess)	\$ -	\$ -
District's covered employee payroll	\$ 3,870,696	\$ 3,851,898
District's contributions as a percentage of its covered-employee payroll	17.67%	18.89%
 KENTUCKY TEACHER'S RETIREMENT SYSTEM		
Contractually required contribution	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>\$ -</u>	<u>\$ -</u>
Contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 11,396,368	\$ 11,384,328
District's contributions as a percentage of its covered-employee payroll	0.000%	0.000%

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

GREENUP COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 1 – Changes in Assumptions:

KTRS

In the 2011 valuation and later, the expectation of retired life mortality was changed to RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2011. In the 2011 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2011 valuation, the Board adopted an interest smoothing methodology to calculate liabilities for purposes of determining the actuarially determined contributions.

CERS

There were no changes of assumptions.

Note 2 – Method and Assumptions Used in Calculations of Actuarially Determined Contributions:

KTRS

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	30 years
Asset Valuation Method	5-year smoothed market
Inflation	3.5%
Salary Increase	4.0% to 8.2%, including inflation
Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation

CERS

The actuarially determined contribution rates in the schedule of contributions are calculated on a biennial basis beginning with the fiscal years ended 2015 and 2016, determined as of July 1, 2013. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine the contribution rates reported in that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	30 years
Asset Valuation Method	5-year smoothed market
Inflation	3.5%
Salary Increase	4.5%, average, including inflation
Investment Rate of Return	7.75%, net of pension plan investments expense, including inflation

Note 3 – Change of Benefits

There were no changes in benefit terms for KTRS or CERS.

GREENUP COUNTY SCHOOL DISTRICT
 COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2015

	Capital Outlay Fund	Building Fund	Construction Fund	Debt Service Fund	Total Non-Major Governmental Funds
Assets:					
Cash and Cash Equivalents	\$ 4,074	\$ 67,365	\$ 29,791	\$ -	\$ 101,230
Total Assets	<u>\$ 4,074</u>	<u>\$ 67,365</u>	<u>\$ 29,791</u>	<u>\$ -</u>	<u>\$ 101,230</u>
Liabilities:					
Accounts Payable	-	-	-	-	-
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balances:					
Restricted - Other	\$ 4,074	\$ 67,365	\$ 29,791	\$ -	\$ 101,230
Total Fund Balances	<u>\$ 4,074</u>	<u>\$ 67,365</u>	<u>\$ 29,791</u>	<u>\$ -</u>	<u>\$ 101,230</u>
Total Liabilities and Fund Balances	<u>\$ 4,074</u>	<u>\$ 67,365</u>	<u>\$ 29,791</u>	<u>\$ -</u>	<u>\$ 101,230</u>

GREENUP COUNTY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Capital Outlay Fund	Building Fund	Construction Fund	Debt Service Fund	Total Non-Major Governmental Funds
Revenues:					
Taxes	\$ -	\$ 438,133	\$ -	\$ -	\$ 438,133
Earnings on Investments	-	-	6	-	6
Other Local Revenues	-	-	-	-	-
Intergovernmental - State	257,251	525,273	-	452,037	1,234,561
Total Revenues	<u>\$ 257,251</u>	<u>\$ 963,406</u>	<u>\$ 6</u>	<u>\$ 452,037</u>	<u>\$ 1,672,700</u>
Expenditures:					
Facility Acquisition and Construction	\$ -	\$ -	\$ 136,940	\$ -	\$ 136,940
Debt Service	-	32,688	-	1,572,641	1,605,329
Total Expenditures	<u>\$ -</u>	<u>\$ 32,688</u>	<u>\$ 136,940</u>	<u>\$ 1,572,641</u>	<u>\$ 1,742,269</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures					
	<u>\$ 257,251</u>	<u>\$ 930,718</u>	<u>\$ (136,934)</u>	<u>\$ (1,120,604)</u>	<u>\$ (69,569)</u>
Other Financing Sources (Uses):					
Proceeds From Sale of Bonds	\$ -	\$ -	\$ -	\$ -	-
Operating Transfers In	-	-	-	1,120,604	1,120,604
Operating Transfers Out-Debt Service	(257,251)	(863,353)	-	-	(1,120,604)
Total Other Financing (Uses) Sources	<u>\$ (257,251)</u>	<u>\$ (863,353)</u>	<u>\$ -</u>	<u>\$ 1,120,604</u>	<u>\$ -</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ 67,365</u>	<u>\$ (136,934)</u>	<u>\$ -</u>	<u>\$ (69,569)</u>
Fund Balances, June 30, 2014	\$ 4,074	\$ -	\$ 166,725	\$ -	\$ 170,799
Fund Balances, June 30, 2015	<u><u>\$ 4,074</u></u>	<u><u>\$ 67,365</u></u>	<u><u>\$ 29,791</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 101,230</u></u>

GREENUP COUNTY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NON-MAJOR CAPITAL PROJECT FUNDS
 JUNE 30, 2015

	FSPK Fund	SEEK Funds	Construction Funds	Total Non-Major Capital Project Funds
Assets:				
Cash and Cash Equivalents	\$ 67,365	\$ 4,074	\$ 29,791	\$ 101,230
Total Assets	<u>67,365</u>	<u>4,074</u>	<u>29,791</u>	<u>101,230</u>
Liabilities:				
Accounts Payable	-	-	-	-
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balances:				
Restricted - Other	\$ 67,365	\$ 4,074	\$ 29,791	\$ 101,230
Total Fund Balances	<u>67,365</u>	<u>4,074</u>	<u>29,791</u>	<u>101,230</u>
Total Liabilities and Fund Balances	<u><u>\$ 67,365</u></u>	<u><u>\$ 4,074</u></u>	<u><u>\$ 29,791</u></u>	<u><u>\$ 101,230</u></u>

GREENUP COUNTY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES - NON-MAJOR CAPITAL PROJECT FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	FSPK Fund	SEEK Funds	Construction Funds	Total Non-Major Capital Project Funds
Revenues:				
Taxes	\$ 438,133	\$ -	\$ -	\$ 438,133
Earnings on Investments	-	-	6	6
Intergovernmental - State	525,273	257,251	-	782,524
Other Local Revenues	-	-	-	-
Total Revenues	<u>\$ 963,406</u>	<u>\$ 257,251</u>	<u>\$ 6</u>	<u>\$ 1,220,663</u>
Expenditures:				
Facility Acquisition and Construction	\$ -	\$ -	\$ 136,940	\$ 136,940
Debt Service	32,688	-	-	32,688
Total Expenditures	<u>\$ 32,688</u>	<u>\$ -</u>	<u>\$ 136,940</u>	<u>\$ 169,628</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 930,718</u>	<u>\$ 257,251</u>	<u>\$ (136,934)</u>	<u>\$ 1,051,035</u>
Other Financing Sources (Uses):				
Proceeds From Sale of Bonds	\$ -	\$ -	\$ -	\$ -
Operating Transfers In	-	-	-	-
Operating Transfers Out - Debt Service	(863,353)	(257,251)	-	(1,120,604)
Total Other Financing (Uses) Sources	<u>\$ (863,353)</u>	<u>\$ (257,251)</u>	<u>\$ -</u>	<u>\$ (1,120,604)</u>
Net Change in Fund Balance	<u>\$ 67,365</u>	<u>\$ -</u>	<u>\$ (136,934)</u>	<u>\$ (69,569)</u>
Fund Balances, June 30, 2014	\$ -	\$ 4,074	\$ 166,725	\$ 170,799
Fund Balances, June 30, 2015	<u>\$ 67,365</u>	<u>\$ 4,074</u>	<u>\$ 29,791</u>	<u>\$ 101,230</u>

GREENUP COUNTY SCHOOL DISTRICT
 COMBINING BALANCE SHEET- BOND AND INTEREST REDEMPTION
 JUNE 30, 2015

	2002	2007	2008	2010	2010R	2011R	2013E	2013	Total
	Bond	Bond	Bond	Bond	Bond	Bond	Bond	Bond	Bond and
	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Interest
									Redemption
Assets:									
Cash and Cash Equivalents	\$ 1	\$ 1	\$ 19,577	\$ -	\$ 1	\$ 1	\$ -	\$ -	\$ 19,581
Total Assets	<u>1</u>	<u>1</u>	<u>19,577</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>19,581</u>
Liabilities:									
Accounts Payable	-	-	-	-	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:									
Unreserved	1	1	19,577	-	1	1	-	-	19,581
Total Fund Balances	<u>1</u>	<u>1</u>	<u>19,577</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>19,581</u>
Total Liabilities and Fund Balances	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 19,577</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,581</u>

GREENUP COUNTY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 - BOND AND INTEREST REDEMPTION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	2002	2007	2008	2010	2010R	2011R	2013E	2013	Total
	Bond	Bond	Bond	Bond	Bond	Bond	Bond	Bond	Bond and
	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Interest
									Redemption
Revenues:									
Intergovernmental - State	\$ 124,764	\$ 82,614	\$ 44,202	\$ 74,218	\$ 42,044	\$ 52,269	\$ -	\$ 31,927	\$ 452,038
Interest Income	1	1	2	-	1	1	-	-	6
Total Revenues	\$ 124,765	\$ 82,615	\$ 44,204	\$ 74,218	\$ 42,045	\$ 52,270	\$ -	\$ 31,927	\$ 452,044
Expenditures:									
Debt Service	351,900	248,562	213,465	111,600	380,356	194,579	59,975	74,135	1,634,572
Total Expenditures	\$ 351,900	\$ 248,562	\$ 213,465	\$ 111,600	\$ 380,356	\$ 194,579	\$ 59,975	\$ 74,135	\$ 1,634,572
Deficiency of Revenues	(227,135)	(165,947)	(169,261)	(37,382)	(338,311)	(142,309)	(59,975)	(42,208)	(1,182,528)
Under (Over) Expenditures									
Other Financing Sources:									
Bond Proceeds	-	-	-	-	-	-	-	-	-
Payment to bond escrow agent	-	-	-	-	-	-	-	-	-
Operating Transfers In	227,136	165,948	167,307	37,382	338,312	142,310	59,975	42,208	1,180,578
Operating Transfers Out	-	-	-	-	-	-	-	-	-
Total Other Financing Sources	\$ 227,136	\$ 165,948	\$ 167,307	\$ 37,382	\$ 338,312	\$ 142,310	\$ 59,975	\$ 42,208	\$ 1,180,578
Net Change In Fund Balance	\$ 1	\$ 1	\$ (1,954)	\$ -	\$ 1	\$ 1	\$ -	\$ -	\$ (1,950)
Fund Balance, June 30, 2014	\$ -	\$ -	\$ 21,531	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,531
Fund Balance, June 30, 2015	\$ 1	\$ 1	\$ 19,577	\$ -	\$ 1	\$ 1	\$ -	\$ -	\$ 19,581

GREENUP COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - SCHOOL ACTIVITY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Cash Balance June 30, 2014	Receipts	Disbursements	Cash Balance June 30, 2015	Transfers	Deposits Held In Custody For Students June 30, 2015
	\$	\$	\$	\$	\$	\$
Greenup County High School	53,515	214,053	191,537	76,031	-	76,031
McKell Middle School	10,988	47,106	48,761	9,333	(372)	8,961
Wurtland Middle School	26,827	46,252	52,859	20,220	372	20,592
Arglite Elementary	11,459	46,328	45,535	12,252	(3,380)	8,872
Greysbranch Elementary	25,808	71,421	78,555	18,674	-	18,674
McKell Elementary	43,987	82,458	89,082	37,363	-	37,363
Wurtland Elementary	17,792	24,811	26,086	16,517	197	16,714
GC Family	68	-	-	68	-	68
Special Education - CBI	955	477	1,427	5	-	5
Volleyball - Middle School	3,552	2,906	3,170	3,288	-	3,288
Football - Middle School	590	4,672	3,641	1,621	-	1,621
McKell Middle School PR Deduction	404	395	799	-	-	-
General	4,778	2,488	4,177	3,089	3,183	6,272
Middle School Golf	-	3,464	6,767	(3,303)	-	(3,303)
Middle School Soccer	228	-	-	228	-	228
21st Century Swim Club	-	525	-	525	-	-
21st Century	3	5,000	4,500	503	-	503
Total	\$ 200,954	\$ 552,356	\$ 556,896	\$ 196,414	\$ -	\$ 195,889

GREENUP COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
SCHOOL ACTIVITY FUNDS - GREENUP COUNTY HIGH SCHOOL
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Cash Balance June 30, 2014	Receipts	Disbursements	Cash Balance June 30, 2015	Accounts Receivable (Payable)	Total
General Account	811	250	818	243	(3)	240
Cross Country/Track	665	-	513	152	-	152
Theatre	569	-	-	569	-	569
General Athletics	7,165	104,678	89,698	22,145	(790)	21,355
AG/C. Davis	-	820	820	-	-	-
Reward Fund	241	666	910	(3)	3	-
Library	41	108	55	94	-	94
CMPS	143	-	-	143	-	143
Beta	232	2,120	2,032	320	-	320
Drama	1,092	960	1,409	643	1,500	2,143
Textbooks	2,635	13,196	13,609	2,222	-	2,222
ROTC	4,945	13,182	9,987	8,140	150	8,290
Student Vending	1	39	-	40	-	40
Art	144	612	698	58	-	58
Prom Committee	537	8,455	8,437	555	-	555
Advanced Placement Tests	429	182	91	520	-	520
Seniors	-	2,010	313	1,697	150	1,847
Visually Impaired	225	-	-	225	-	225
Pep Club	227	-	203	24	-	24
Student Government	310	-	-	310	-	310
Industrial Tech	2,038	4,301	6,618	(279)	590	311
National Honor Society	40	-	-	40	-	40
Spanish Honor Society	954	2,420	3,159	215	-	215
Spanish Honor Society - Hurricane	46	-	-	46	-	46
Yearbook	9,845	12,039	10,361	11,523	-	11,523
Choir	432	6,092	3,412	3,112	-	3,112
Food Bank	589	-	-	589	-	589
Staff Payroll Deductions	1,554	-	1,554	-	-	-
Scholarship	4,930	3,500	750	7,680	(1,500)	6,180
Whittling into Appalachian Culture	-	500	500	-	-	-
Social Studies Honor Society	709	180	198	691	-	691
FCA	239	-	-	239	-	239
Devon Rose Scholarship fund	602	-	500	102	-	102
Family Resource	97	1,088	738	447	(300)	147
KYA	1,190	4,637	5,563	264	-	264
Collier Grants	99	210	83	226	-	226
Advanced Placement	510	-	-	510	-	510
Success Academy	305	-	-	305	-	305
Science Olympiad	376	-	-	376	-	376
Boys Soccer Boosters	1,155	22,105	18,471	4,789	(400)	4,389
Girls Golf Boosters	748	1,266	2,583	(569)	700	131
Volleyball Boosters	2,127	5,594	3,860	3,861	(100)	3,761
Tennis Boosters	998	-	50	948	-	948
Spring Band Trip	17	-	(46)	63	-	63
Track Boosters	2,562	645	1,657	1,550	-	1,550
Employee Payroll Deductions	941	433	856	518	-	518
Athletic Trainer	-	1,065	730	335	-	335
Foundation for Tri State Comm	-	500	347	153	-	153
Science Lab/Wilkerson	-	200	-	200	-	200
	<u>\$ 53,515</u>	<u>\$ 214,053</u>	<u>\$ 191,537</u>	<u>\$ 76,031</u>	<u>\$ -</u>	<u>\$ 76,031</u>

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

Federal Grantor/Pass-Through Grantor <u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award Amount</u>	<u>Expenditures Paid</u>
U.S. Department of Agriculture:				
Cash Assistance				
Farm To School	10.575	2334	42,960	\$ 26,400
Child Nutrition Cluster:				
Passed through State Department of Education				
Cash Assistance:				
National School Snacks	10.555	7760005-15	-	7,801
National School Breakfast Program	10.553	7760005-15	-	365,526
National School Lunch Program	10.555	7750002-15	-	967,922
Summer Food Service for Children	10.559	7740023-14	-	7,643
Summer Food Service for Children	10.559	7740023-15	-	13,020
Non-Cash Assistance:				
National School Lunch Program	10.555	057502-02	-	85,850
Total Child Nutrition Cluster				<u>1,447,762</u>
Total U.S. Department of Agriculture				<u><u>1,474,162</u></u>
U.S. Department of Education:				
Passed through State Department of Education				
Title I Grants to Local Educational Agencies Cluster				
Title I Grants to Local Educational Agencies	84.010	3100002-14	871,380	871,380
Title I Grants to Local Educational Agencies	84.010	3100002-13	813,937	2,857
Total Title I Grants to Local Educational Agencies Cluster				<u>874,237</u>
Vocational Education Basic Grants to States Cluster:				
Vocational Education Basic Grants to States	84.048	4621332-13	15,810	2,463
Vocational Education Basic Grants to States	84.048	3710002-14	15,810	13,367
Vocational Education Basic Grants to States-CarryForward	84.048	3710002-14	631	516
Total Vocational Education Basic Grants to States Cluster				<u>16,346</u>
Special Education Grants to States Cluster				
Special Education Grants to States - IDEA, Part B	84.027	3810002-14	632,608	632,608
Special Education Grants to States - IDEA, Part B	84.027	3810002-12	651,618	128
Special Education - Pre-School	84.173	3800002-13	27,191	15,581
Special Education - Pre-School	84.173	3800002-14	27,191	27,191
Total Special Education Grants to States Cluster				<u>675,508</u>
Education for Homeless Children and Youth	84.196	3990002-14	65,996	\$ 65,996

See Notes to the Schedule of Expenditures of Federal Awards.

GREENUP COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONT.)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-Through Grantor <u>Program Title</u>	<u>Federal</u> CFDA <u>Number</u>	<u>Pass-Through</u> Grantor's <u>Number</u>	<u>Program</u> or Award <u>Amount</u>	<u>Expenditures</u> <u>Paid</u>
Race To The Top Fund	84.413	3960002-11	40,513	2,836
Twenty-First Century Community Learning Centers Cluster				
Twenty-First Century Community Learning Centers-5503	84.287	3400002-12	102,000	29,634
Twenty-First Century Community Learning Centers - McKell-5503M	84.287	3400002-12	80,000	12,594
Twenty-First Century Community Learning Centers - AES & GES-550	84.287	3400002-12	76,000	6,149
Twenty-First Century Community Learning Centers - Summer Learnin	84.287	3400002-12	15,000	14,947
Twenty-First Century Community Learning Centers -5504	84.287	3400002-13	75,000	67,842
Twenty-First Century Community Learning Centers - 5504G	84.287	3400002-13	75,000	46,904
Twenty-First Century Community Learning Centers - 5504A	84.287	3400002-14	150,000	750
Total Twenty-First Century Community Learning Centers Cluster:				<u>178,820</u>
Improving Teacher Quality State Grants	84.367	3230002-14	200,538	124,609
School Improvement Grant - GCHS	84.377	3100302-12	649,368	6,102
School Improvement Sec. 1003(g)-ARRA	84.388	4100302-09	137,823	15,358
Total U.S. Department of Education				<u>1,959,812</u>
U.S. Department of Defense:				
Direct Program:				
Basic, Applied, and Advanced Research in Science and Engineering	12.000	5044	5,378	5,378
Basic, Applied, and Advanced Research in Science and Engineering	12.000	504A	57,037	57,037
Total U.S. Department of Defense				<u>62,415</u>
U.S. Department of Health and Human Services				
Passed Through Kentucky School Board Association				
Medical Assistance Program	93.778	110-4810	48,368	48,368
Total U.S. Department of Health and Human Services				<u>48,368</u>
Total Expenditures of Federal Awards				<u>\$ 3,544,757</u>

See Notes to the Schedule of Expenditures of Federal Awards.

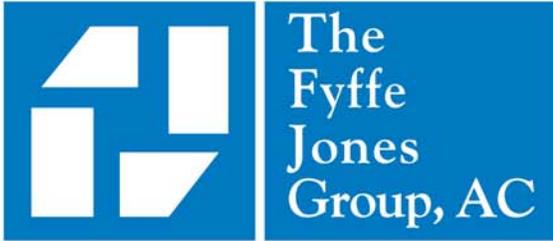
GREENUP COUNTY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 1 – Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Greenup 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*.

Note 2 – Food Distribution:

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2015, commodities on hand are included on the total inventory of \$41,464.



The Fyffe Jones Group, AC

2155 Carter Avenue
P.O. Box 2245
Ashland, KY 41105-2245
606-329-8604

806 Chillicothe Street
Portsmouth, OH 45662
740-353-0400

1033 Twentieth Street
P.O. Box 1148
Huntington, WV 25713-1148
304-525-8592

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

Kentucky State Committee for
School District Audits
Members of the Board of Education
Greenup County School District
Greenup, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Greenup County School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Greenup County School District's basic financial statements, and have issued our report thereon dated November 11, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Greenup 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 the Greenup County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Greenup 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 the Greenup 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*.

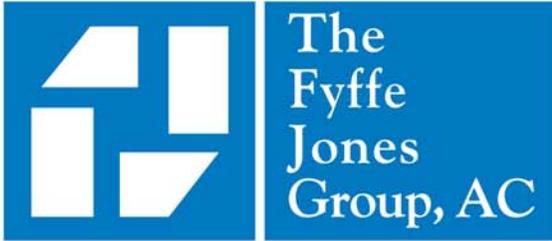
Purpose of this Report

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.

The Fyffe Jones Group, AC

THE FYFFE JONES GROUP, AC

Ashland, Kentucky
November 11, 2015



The Fyffe Jones Group, AC

2155 Carter Avenue
P.O. Box 2245
Ashland, KY 41105-2245
606-329-8604

806 Chillicothe Street
Portsmouth, OH 45662
740-353-0400

1033 Twentieth Street
P.O. Box 1148
Huntington, WV 25713-1148
304-525-8592

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

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

Report on Compliance for Each Major Federal Program

We have audited the Greenup 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 the Greenup County School District's major federal programs for the year ended June 30, 2015. The Greenup 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.

Auditors' Responsibility

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

The Fyffe Jones Group, AC

THE FYFFE JONES GROUP, AC

Ashland, Kentucky
November 11, 2015

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

A. Summary of Audit Results:

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	None Reported
Noncompliance material to financial statements?	No

Federal Awards

Internal control over major programs	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 Section 510 (a)?	No

The District had the following major federal award programs with CFDA numbers in parentheses for the year ended June 30, 2015:

Special Education Grants to States (84.027/84.173)

21st Century Community Learning Centers (84.287)

Basic, Applied, and Advanced Research in Science and Engineering (12.000)

The dollar threshold used for distinguishing between Type A and Type B programs was \$300,000.

The Greenup County School District qualified as a low-risk auditee under OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

B. Findings Relating to the Financial Statements Required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

No matters were reported.

C. Findings and Questioned Costs Related to Federal Awards:

No matters were reported.

GREENUP COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

No findings reported in the prior year.

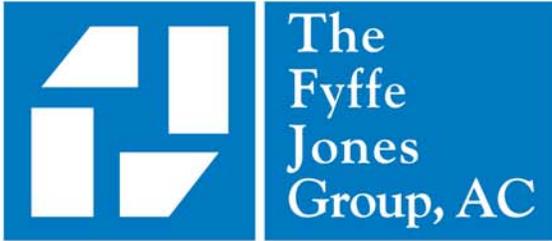
GREENUP COUNTY SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Name of Contact Person:

Sherry Horsley (606) 473-9819

Corrective Action Planned:

No corrective action plan is needed in the current year.



The Fyffe Jones Group, AC

2155 Carter Avenue
P.O. Box 2245
Ashland, KY 41105-2245
606-329-8604

806 Chillicothe Street
Portsmouth, OH 45662
740-353-0400

1033 Twentieth Street
P.O. Box 1148
Huntington, WV 25713-1148
304-525-8592

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

In planning and performing our audit of the financial statements of Greenup County School District (the "District") as of and for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

During our audit we did not become aware of matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated November 11, 2015, on the financial statements of the District.

During our audit we did review the status of prior year comments. The memorandum that accompanies this letter summarizes our prior year comments and the action and resolution regarding these matters.

The Fyffe Jones Group, AC

THE FYFFE JONES GROUP, AC
Ashland, Kentucky
November 11, 2015

GREENUP COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Current Year Management Points

None

Status of Prior Year Management Points

Management has corrected the prior year management point on student activity funds.