

Financial Statements, Supplementary
Information and Reports Required
by the Single Audit Act

2015

Kenton County School District

June 30, 2015



Strothman+Co

**KENTON COUNTY SCHOOL DISTRICT
FINANCIAL STATEMENTS
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June 30, 2015**

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Independent Auditors' Report



Members of the Board
Kenton County School District
Fort Wright, 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 Kenton County School District (the "District") as of and for the year ended June 30, 2015 and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the accompanying 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Kentucky Public School Districts' Audit Contract and Requirements* prescribed by the Kentucky State Committee for School District Audits. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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 auditors consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2015, and the respective changes in financial position and cash flows of its proprietary funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Implementation of New GASB Accounting Standard

As described in Note I to the financial statements, effective July 1, 2014, the District adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (Unaudited) on pages 4 through 13 and the budgetary comparison information on pages 48 through 49 and the pension liability and contributions information on pages 50 through 53 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 inquires 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 to provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The activity funds financial information on pages 54 through 66 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 the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

STROTHMAN AND COMPANY

Louisville, Kentucky
November 13, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

**Kenton County School District
Management Discussion and Analysis
Fiscal Year Ended June 30, 2015
Unaudited**

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

FINANCIAL HIGHLIGHTS

- Kenton County Schools served 14,430 enrolled students during the 2014-2015 fiscal year, a decrease of 73 students from the previous school year. Students are served by 19 schools including 3 high schools, a technology academy, 4 middle schools and 11 elementary schools. More than half of the District’s schools are operating at their student capacity.
- District facility activity during 2015 included new construction as well as renovation and improvement projects to maintain an adequate and safe learning environment for all students and teachers. During 2015, the Board approved two construction projects, a third phase of renovation to the Scott High School building and grounds with a projected cost of \$17.3 million and an addition/renovation to the Ft. Wright Elementary School projected at \$14.4 million.
- In May 2015, the District issued Revenue Bonds with a par amount of \$17.3 million funding the Scott High School renovation project. The debt will be serviced by the district and state SFCC funds.
- Several earlier bond issues were reissued at lower interest rates in May, 2015 with interest savings of \$1.2 million to be realized over the next 10 years.
- The Board approved a Lease & Security Agreement with the Kentucky Interlocal School Transportation Association (“KISTA”) resulting in the issuance of \$1.3 million in bonds to finance the purchase of fifteen school buses.
- Net Position at June 30, 2015 was \$ 32.9 million, including cash, receivables and capital assets reduced by outstanding debt and liabilities. Implementation of GASB 68 required restatement of 2014 Net Position and recognition of significant pension fund liabilities in 2015.
- Total Revenues were \$139.4 million for the year. General revenues accounted for \$119.8 million, 86 percent of the total, while program specific revenues, in the form of charges for services and sales, grants, and contributions, accounted for \$19.7 million or 14 percent of total revenues. The District had \$138.4 million in total expenses.
- Governmental Fund Total Revenues were \$138.5 million with \$110.5 million accounted for in the General Fund. Local tax revenues increased to \$55.6 million along with state SEEK revenues which increased from \$45.8 to \$ 46.8 million. State and federal grant revenues increased slightly in 2015.

Governmental Fund Expenditures totaled \$143.2 million during 2015. General Fund expenses amounted to \$111.1 million. The 2015 salary schedule reflected the state mandated 1% increase in addition to an annual experience increase. Facilities and transportation expenses also reflected an increase in 2015.

**Kenton County School District
Management Discussion and Analysis--Continued
Fiscal Year Ended June 30, 2015
Unaudited (Continued)**

- The General Fund ended the year with a reserve balance of \$14.1 million which represents 13 % of the non-construction budget for the year. \$3.3 million of the Total Fund Balance is either restricted or committed to capital/construction projects or operating obligations. The Unassigned Fund Balance at the end of the year is \$10.8 million.
- The Kentucky General Assembly authorized use of restricted Capital Outlay funds for certain District operating costs. The District received approval to transfer \$1,234,000 from the Capital Outlay Fund to the General Fund in May, 2015. The funds were used for insurance, building roofs, HVAC upgrades and other school building maintenance projects. This transfer of funds is reflected in both funds in the fund statements.

OVERVIEW OF FINANCIAL STATEMENTS

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

District-wide Financial Statements

The district-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. This financial perspective is provided via the Statement of Net position and the Statement of Activities.

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Net Position is one indication of financial health and position to support future operations. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other non-financial factors, such as changes in the District's property tax base and the condition of school facilities, also contribute to evaluating the District's overall financial position.

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

The district-wide financial statements are divided into two categories, governmental activities and business-type activities. Governmental activities include functions of the District that are principally supported by property taxes and intergovernmental revenues and include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues. Business-type activities are those that charge a fee to assist in covering the cost of the service. Food Service is the only business-type activity reported in these financial statements. The district-wide financial statements can be found on pages 14 and 15 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. Kentucky public school districts utilize a state mandated uniform system and chart of accounts with all financial transactions processed by the MUNIS administrative software. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The proprietary funds include food service operations. The District's funds include General, Special Revenue, District Activity, Capital Outlay, Building, Construction, Debt Service, Proprietary and Food Service. School activity funds maintained at each school are reflected as Fiduciary funds in this report. The basic governmental fund financial statements can be found on pages 16 through 24 of this report.

**Kenton County School District
Management Discussion and Analysis--Continued
Fiscal Year Ended June 30, 2015
Unaudited (Continued)**

Notes to Financial Statements

The notes provide additional information essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to financial statements can be found on pages 25 through 47 of this report.

DISTRICT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

The perspective of the Statement of Net Position is of the District as a whole. Table 1 provides a summary of the District's net position as of June 30, 2015 and 2014.

**Table 1
Kenton County School District
Net Position
June 30, 2015 and 2014 (restated)**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets						
Current Assets	\$ 34,210,909	\$ 18,531,083	\$ 974,361	\$ 410,362	\$ 35,185,270	\$ 18,941,445
Noncurrent Assets	208,131,167	210,294,956	1,065,772	1,560,188	209,196,939	211,855,144
Total Assets	242,342,076	228,826,039	2,040,133	1,970,550	244,382,209	230,796,589
Deferred Outflows of Resources						
Bond Refunding Savings	6,908,328	7,001,524	-	-	6,908,328	7,001,524
CERS Pension Contributions	2,584,902	2,847,032	359,178	396,111	2,944,080	3,243,143
Total Deferred Outflows	9,493,230	9,848,556	359,178	396,111	9,852,408	10,244,667
Total Assets and Deferred Outflows of Resources	\$ 251,835,306	\$ 238,674,595	\$ 2,399,311	\$ 2,366,661	\$ 254,234,617	\$ 241,041,256
Liabilities						
Current Liabilities	\$ 16,982,821	\$ 15,293,031	\$ 97,964	\$ 88,168	\$ 17,080,785	\$ 15,381,199
Noncurrent Liabilities	199,497,614	194,500,631	3,039,718	3,355,501	202,537,332	197,856,132
Total Liabilities	\$ 216,480,435	\$ 209,793,662	\$ 3,137,682	\$ 3,443,669	\$ 219,618,117	\$ 213,237,331
Deferred Inflows of Resources						
CERS Pension Contributions	\$ 2,379,109	\$ -	\$ 330,891	\$ -	\$ 2,710,000	\$ -
Net Position						
Invested in Capital Assets, Net of Related Debt	\$ 20,361,338	\$ 31,181,422	\$ 1,065,772	\$ 1,230,396	\$ 21,427,110	\$ 32,411,818
Nonspendable - inventories	211,296	270,499	261,778	313,391	473,074	583,890
Restricted	16,958,723	3,945,615	(2,396,812)	(2,620,795)	14,561,911	1,324,820
Unrestricted	(4,555,595)	(6,516,603)	-	-	(4,555,595)	(6,516,603)
Total Net Position	\$ 32,975,762	\$ 28,880,933	\$ (1,069,262)	\$ (1,077,008)	\$ 31,906,500	\$ 27,803,925
Total Liabilities and Net Position	\$ 251,835,306	\$ 238,674,595	\$ 2,399,311	\$ 2,366,661	\$ 254,234,617	\$ 241,041,256

**Kenton County School District
Management Discussion and Analysis--Continued
Fiscal Year Ended June 30, 2015
Unaudited (Continued)**

Implementation of Government Accounting Standards Board Statement No. 68, *Accounting and Reporting for Pensions*, required restatement of the 2014 balance of the District-Wide Statement of Net Position. Net position of the governmental activities was decreased by \$21,270,467 to recognized Deferred Outflows, Deferred Inflows and a Net Pension Liability for the KY County Employee Retirement System pension plan. This provision also required a similar reduction to the 2014 Net Position for the Proprietary Fund in the amount of \$2,959,390. The total net adjustment to implement GASB Statements No. 68 was a decrease of \$24,229,857 to the Net Position. This adjustment is reflected as a restatement of the 2014 Net Position balances reflected on the Comparative Statement of Net Position, Table 1. See Note R in the notes to financial statements.

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$31,906,500 as of June 30, 2015. The District's financial position is the product of many 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.

Total net position increased 14.7%, \$4.1 million, during 2015. Governmental net position increased \$4.1 million due primarily to increases in tax revenue, grant revenue and bond sale cash held for construction. However costs also increased by \$2.5 million with salary progressions and facility operations and maintenance expenditure increases. Business-type net position increased \$7,745 for the year fueled by a significant reduction in costs of \$503,297 as compared to 2014 results.

The District's property tax base remains strong and increased by \$118 million providing a stable source of operating revenue. Both real estate and motor vehicle tax values increased while student average daily attendance decreased. KY SEEK revenue increased \$1.0 million due to an increase of \$84 per student by the state. School building and facility additions and improvements continue each year in accordance with the District's Facility Plan.

Capital Assets

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

Construction continued on the Scott High School campus as the second phase of a major building addition concluded and work on the third phase began toward the end of the fiscal year. This phase of construction has a total project cost approved at \$17.3 million and includes renovation and construction of a new kitchen and cafeteria; new science classrooms and labs; and new media center. The district continues to remain focused around energy conservation strategies by utilizing geothermal heating and cooling systems; LED lighting systems; and insulated concrete form wall systems. Scott High School is the highest prioritized renovation project listed on the long term District Facility Plan. The District anticipates a total of five or six phases of construction to complete this project. A geothermal well field was drilled for Scott that also added cooling for the first time to the gym and kitchen at Woodland Middle School.

The District is also under contract with a design team for the complete renovation of the Ft. Wright Elementary School. The school was selected for renovation by the Kentucky State Legislature as being a facility in need of improvement. The funding source for this project is the School Facilities Construction Commission as well as some residual local building fund money totaling \$270,000. The total construction estimate at this time is \$14,420,000. The current school is over student capacity by 120 and is now using mobile classrooms. The renovation will include a new kitchen and cafeteria; new secure front entrance; second floor addition to add classrooms; extensive site work for improved traffic flows and parking; as well the replacement of all major mechanical systems. The bidding documents should be available by the end of October 2015 and the construction contract award and bond sale should take place in December 2015.

**Kenton County School District
Management Discussion and Analysis--Continued
Fiscal Year Ended June 30, 2015
Unaudited (Continued)**

Fifteen new buses were purchased through the Kentucky Intermodal School Transportation System bond program. Approved by the Board in November 2014, the new buses were ordered with delivery occurring in late May and June 2015. Thirteen delivered buses are reflected in the Capital Assets Schedule as of June 30, 2015.

Debt

At June 30, 2015, the District had \$183.2 million in outstanding bonds. The bonds are being paid from the Debt Service Fund. A portion of this debt, \$16.2 million is also serviced by the Kentucky School Facility Construction Commission. See Note E – Bonded Debt in the Notes to Financial Statements.

In May 2015, the Board issued revenue bonds with a par amount of \$17.3 million for the third Phase of the Scott High School Renovation Project. The debt will be serviced by both the District and the Kentucky School Facilities Construction Commission.

The Board approved school building refunding revenue bonds in the amount of \$23.3 million for the purpose of refinancing existing 2006A, 2006B, 2006C and 2009D Series School Building Revenue Bonds. The bonds sold on April 1, 2015 with present value savings to be realized over the life of the debt of approximately \$1.298 million.

Participation in the KISTA bus lease/purchase program was approved by the Board and bonds were issued in April 2015 for the purchase of fifteen new buses for the District fleet. The total amount of bonds issued was \$1,395,219. Payment for thirteen buses delivered in May and June 2015 totaled \$1,239,008. The balance of \$156,211 cash was retained by the fiscal agent and remitted in August 2015 following the delivery of the two remaining buses. The entire lease/bond debt is reflected in liabilities at June 30, 2015 and the \$156,211 is included in Cash and Cash Equivalents on the Statement of Net Position.

Statement of Activities (Changes In Net Position)

The Statement of Activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. Table 2 presents a summary of revenue and expense for the fiscal years ended June 30, 2015 and 2014.

GOVERNMENTAL ACTIVITY

Governmental Revenues were \$6 million higher than 2014 with increases in general property tax revenue (\$1.7 million) and grant & entitlements revenue (\$3 million). However total costs also increased by \$3 million with salary increases and facility operations and maintenance expenditure increases. The 2015 fiscal year ended by adding \$4.1 million to net position from current year activities.

BUSINESS-TYPE ACTIVITY

The only business-type activity of the District is the food service operation. This program had revenues of \$5.8 million and expenditures of \$5.8 million for fiscal year 2015.

The Food Service Program continues to implement changes in food nutrition requirements. Federal operating grant and school lunch charge revenues remained steady while operating expenses decreased by approximately \$503,000. The District continues to examine the food service operation in an effort to be self-operating without assistance from the General Fund. The business activity receives no support from tax revenues. In accordance with Implementation of Government Accounting Standards Board Statement No. 68, *Accounting and Reporting for Pensions* includes a reduction to the 2014 Net Position for the Proprietary Fund in the amount of \$2,959,390 and provisions for deferred outflows and inflows related to the state net pension liability.

**Kenton County School District
Management Discussion and Analysis--Continued
Fiscal Year Ended June 30, 2015
Unaudited (Continued)**

**Table 2
Kenton County School District
Changes In Net Position
June 30, 2015 and 2014**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program Revenues:						
Operating grants and contributions	\$ 7,458,222	\$ 9,598,532	\$ 3,374,802	\$ 3,389,667	\$ 10,833,024	\$ 12,988,199
Capital grants and contributions	4,718,714	2,692,804	495,360	462,564	5,214,074	3,155,368
Charges for services	967,414	1,281,890	1,911,273	2,263,719	2,878,687	3,545,609
Total Program Revenues	13,144,350	13,573,226	5,781,435	6,115,950	18,925,785	19,689,176
General Revenues:						
Taxes	55,596,798	53,899,414			55,596,798	53,899,414
Grants and entitlements	67,787,367	64,785,159			67,787,367	64,785,159
Earnings on investments	44,023	38,801	292	243	44,315	39,044
Miscellaneous	2,682,671	1,072,018	9	(50,432)	2,682,680	1,021,586
Total General Revenues	126,110,859	119,795,392	301	(50,189)	126,111,160	119,745,203
Total Revenues	\$ 139,255,209	\$ 133,368,618	\$ 5,781,736	\$ 6,065,761	\$ 145,036,945	\$ 139,434,379
Expenses:						
Instructional	76,517,159	75,512,564			76,517,159	75,512,564
Student Support	7,829,346	7,733,249			7,829,346	7,733,249
Instructional Support	3,771,007	3,654,625			3,771,007	3,654,625
District Administration	2,423,985	2,097,095			2,423,985	2,097,095
School Administration	7,793,988	7,246,978			7,793,988	7,246,978
Business Support	1,567,921	1,573,637			1,567,921	1,573,637
Plant Operations	14,829,542	14,859,736			14,829,542	14,859,736
Student transportation	12,177,005	11,577,826			12,177,005	11,577,826
Community Support	962,813	933,785			962,813	933,785
Interest - Long term debt	7,138,812	6,424,814			7,138,812	6,424,814
Food Service Operations			5,773,991	6,277,288	5,773,991	6,277,288
Other	148,802	517,650			148,802	517,650
Total Expenses	\$ 135,160,380	\$ 132,131,959	\$ 5,773,991	\$ 6,277,288	\$ 140,934,371	\$ 138,409,247
Change in Net Position	\$ 4,094,829	\$ 1,236,659	\$ 7,745	\$ (211,527)	\$ 4,102,574	\$ 1,025,132

**Kenton County School District
Management Discussion and Analysis--Continued
Fiscal Year Ended June 30, 2015
Unaudited (Continued)**

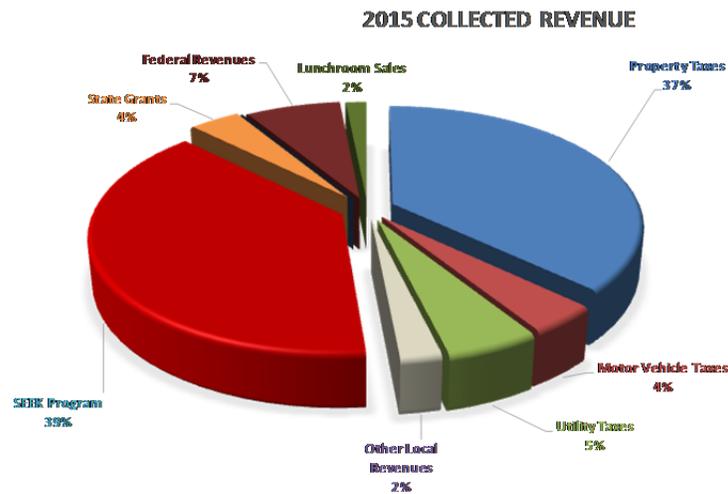
THE DISTRICT'S FUNDS

The District's governmental funds are accounted for using the modified accrual basis of accounting. Fund financial statements are included on pages 16 – 24. The District accounts include eight different funds with the General Fund reflecting the most activity. Total governmental fund revenues, including on-behalf payments, were \$138.5 million with expenditures of \$143.2 million. Table 3 reflects the 2015 and 2014 fund revenues by type. Chart 1 reflects the percentage for each collected revenue type.

**Table 3
Kenton County School District
Revenues
June 30, 2015 and June 30, 2014**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
<u>Local Sources:</u>						
Property Taxes	\$ 44,598,270	\$ 42,977,730			\$ 44,598,270	\$ 42,977,730
Motor Vehicle Taxes	4,753,330	4,651,722			4,753,330	4,651,722
Utility Taxes	6,245,198	6,269,962			6,245,198	6,269,962
Other Local Revenues	2,772,758	2,310,535	\$ 301	\$ 243	2,773,059	2,310,778
<u>State Sources:</u>						
SEEK Program	46,858,990	45,808,744			46,858,990	45,808,744
State Grants	4,548,790	4,428,270	62,956	63,763	4,611,746	4,492,033
Federal Revenues	5,739,933	5,716,032	2,929,699	3,001,458	8,669,632	8,717,490
Lunchroom Sales			1,880,499	2,263,718	1,880,499	2,263,718
Other Revenues	62,377	69,541	526,134	462,564	588,511	532,105
Collected Revenue	115,579,646	112,232,536	5,399,589	5,791,746	120,979,235	118,024,282
State On-Behalf	22,923,596	21,194,722	382,147	324,446	23,305,743	21,519,168
Total Revenue	\$ 138,503,242	\$ 133,427,258	\$ 5,781,736	\$ 6,116,192	\$ 144,284,978	\$ 139,543,450

Chart 1
2015 Collected Fund Revenues



**Kenton County School District
Management Discussion and Analysis--Continued
Fiscal Year Ended June 30, 2015
Unaudited (Continued)**

General Fund 2015 revenues from all sources increased to \$113 million due to a local property tax rate increase in 2015 and higher Motor Vehicle tax collections. KY SEEK revenue increased by \$849,634 reflecting the 2015 additional \$84 per student increase. This fund also reflects an approved transfer of \$1,234,000 from the Capital Outlay Fund for insurance, school building roofs, HVAC upgrades and other school building maintenance projects. Capital lease proceeds of \$1,345,000 are also included.

General Fund 2015 expenses and uses of funds totaled \$112 million, a minor increase from 2014 total expenditures of \$111.8 million. Salary and benefit costs were kept in check with program staff alignments, minor staff allocation updates and effective use of increased state grant program revenue. The 2015 salary schedules included a 1% increase for each position as well as the experience step increase of approximately 1.5%. The District is committed to hiring and retaining the most qualified personnel. The current compensation schedule is very competitive with other Northern Kentucky districts as well as Ohio and Indiana. This has been effective in attracting highly qualified applicants and retaining staff that have been trained by the District.

Harsh winter weather resulted in increased snow removal, utility and facility maintenance costs. Transportation bus maintenance and repair costs were also higher in 2015. Fifteen new buses were purchased using the KISTA bus lease/purchase program and will be placed in service beginning the next school year. Replacement of the aging bus fleet will help lower bus maintenance costs in future years and provide reliable fleet vehicles.

The General Fund ended the year with a fund balance at June 30, 2015 of \$14.1 million. The General Fund receives more than 85% from local taxes and state SEEK revenue which can vary with the local economic environment and state budget issues. The fund balance will be critical in maintaining instructional programs and facilities the next two years as additional state salary increases are implemented beginning in the 2015-16 school year.

The Construction Fund balance increased \$13 million reflecting the May, 2015 bond sale proceeds for the Scott High School Phase III project. These funds will be expended throughout the 2015-16 fiscal year.

GENERAL FUND BUDGETING HIGHLIGHTS

The District's budget is prepared according to Kentucky law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. 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 overall budget. A tentative budget is adopted by the Board by the end of May for the following year. A working budget is adopted by the end of September for each fiscal year utilizing new school year enrollment, tax assessments and rates and salaries for new employees/positions.

The most significant budgeted fund is the General Fund. By law the budget must have a minimum 2% contingency based budgets for all non-construction funds. The Board adopted a working budget for 2015 with \$7.8 million in contingency (8.2%). The beginning fund balance for the fiscal year was \$13.1 million. The 2015 General Fund budget is included in the Supplementary Information section of this report. It should be noted that state on-behalf revenues and expenditures of \$21.0 million are not budgeted but are included in the actual results column of the report.

For the General Fund, total budgeted revenues and other financing sources were \$89.9 million and actual revenues, excluding on-behalf payments, were \$91.9 million. Motor vehicle and omitted property tax revenue types experienced higher collections than budgeted.

General Fund budgeted expenditures, excluding contingency, were \$94.8 million while actual expenditures, excluding on-behalf totaled \$92.6 million. The favorable variances in collected revenues and actual expenditures resulted in a \$14.1 million fund balance at the end of the year versus a budgeted ending fund balance of \$7.8 million.

During the course of fiscal 2015, the Board amended its General Fund budget within expenditure types as needed. The Board uses a site-based budget. The budgeting systems are designed to tightly control total site budgets, but provide flexibility for site management.

**Kenton County School District
Management Discussion and Analysis--Continued
Fiscal Year Ended June 30, 2015
Unaudited (Continued)**

On-Behalf Payments

The District recorded on-behalf payments in the General Fund in 2015 totaling \$21 million as required by KDE. On-behalf payments represent amounts paid on behalf of the Kenton County School District by the Commonwealth of Kentucky for employee health insurance, Teachers' Retirement and Vocational Education. These revenues and expenditures are not budgeted but are required to be reflected in the annual financial fund reports as a revenue and expenditure. As a result, it should be noted that large variances between budgeted and actual amounts for the General Fund are the result of this inconsistency.

CURRENT ISSUES

Local taxes provide approximately 46% of annual fund revenue and are critical to the General Fund. Both property and motor vehicle assessed values experienced an increase for the 2015 tax year. Recovery of the real estate market as well as business/industry activity in the County remain critical factors in sustaining local tax revenues.

SEEK revenues account for another 39% of fund revenue but have not kept pace with increased operating costs and state mandated salary increases over the past several years. While 2015 did include an additional \$84 per student in SEEK revenue allocation, this merely restored the per student funding to the 1990 funding level after four years of reductions. Rising property values will add to local revenue streams but continue to reduce the SEEK contribution. And while additional education spending was included in the state biennium budget passed by the General Assembly, the additional SEEK revenue will not fund the state mandated salary increases for 2015 or future years.

The District remains committed to equitable staff compensation and responding to the competitive educational environment that exists in Northern Kentucky. Kenton County School District staff salaries are very competitive in comparison to other Northern Kentucky school districts and have resulted in staff retention and stability across all employee categories. The 2015 Student Accountability Test scores reflected significant increases in most school levels across the District leading to a ranking of Distinguished in 2015. Progress is occurring in every department and function of the District.

The financial position of the state's pension plans is an important issue that could affect the District's financial obligations in the future. Both the Ky Teachers Retirement and County Employees Retirement System are underfunded at this time. The legislature has not yet developed a viable solution for the deficiency and this will be a major issue for the 2016 legislative session. Future developments to address the underfunding may involve increased pension contribution rates for employees and/or employers as well as changes to state funding. The District has always paid its required contribution as determined by the plans. In accordance with the requirements Governmental Accounting Standards Board Statement 68, the District has recorded its proportionate share of certain financial aspects of the pension plans in which its employees participate.

The District is in the process of preparing a new long term District Facility Plan. The Board of Education approved a professional service contract with the Parson's Group to perform the physical assessment of the facilities as well as the educational and technological readiness determination for each location. The assessment process will take place in the fall of 2015 and the District Facility Planning Committee will begin the development of a new plan in 2016.

The District continues to assess and explore new ways to conserve energy and reduce operating cost. Since 2005 the District has experienced significant energy cost savings. In 2015, the Kenton County School District was recognized by the EPA as Energy Star Partner of the Year Sustained Excellence. The District was one of five school districts nationally to receive this designation. This effort will continue to remain important with the anticipated utility rate increases being discussed for the State of Kentucky.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to Dr. Teri Cox-Cruey, Superintendent, or Ms. Susan Bentle, Treasurer, at 859-344-8888, or by mail at 1055 Eaton Drive, Fort Wright, Kentucky 41017.

DISTRICT-WIDE FINANCIAL STATEMENTS

KENTON COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2015

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 28,113,754	\$ 676,728	\$ 28,790,482
Investments	3,000,000		3,000,000
Accounts receivable	2,885,859	35,855	2,921,714
Inventories	211,296	261,778	473,074
Land and other nondepreciable assets	12,666,076		12,666,076
Capital assets, net of accumulated depreciation	195,465,091	1,065,772	196,530,863
Total Assets	\$ 242,342,076	\$ 2,040,133	\$ 244,382,209
Deferred Outflows of Resources			
Debt refunding	\$ 6,908,328		\$ 6,908,328
Deferred pension contributions after the measurement date	2,584,902	\$ 359,178	2,944,080
Total Deferred Outflows	\$ 9,493,230	\$ 359,178	\$ 9,852,408
Liabilities			
Accounts payable	\$ 2,411,001	\$ 18,611	\$ 2,429,612
Accrued interest payable	1,431,128		1,431,128
Unearned revenue	905,738	79,353	985,091
Net Pension Liability - CERS	21,314,486	2,965,514	24,280,000
Current maturities of			
school building revenue bonds	11,631,007		11,631,007
capital lease obligations	423,993		423,993
multi-employer insurance trust	177,302		177,302
compensated absences	2,652		2,652
Long-term maturities of			
school building revenue bonds	172,922,556		172,922,556
capital lease obligations	2,792,273		2,792,273
multi-employer insurance trust	394,996		394,996
compensated absences	2,073,303	74,204	2,147,507
Total Liabilities	\$ 216,480,435	\$ 3,137,682	\$ 219,618,117
Deferred Inflows of Resources			
Differences between projected and actual earnings on pension plan investments	\$ 2,379,109	\$ 330,891	\$ 2,710,000
Net Position			
Net investment in capital assets	\$ 20,361,338	\$ 1,065,772	\$ 21,427,110
Nonspendable fund balance - inventories	211,296		211,296
Restricted for			
Capital projects and construction	16,164,106		16,164,106
Grants and awards	210,557		210,557
District Activities	584,060		584,060
Food Service		(2,135,034)	(2,135,034)
Unrestricted	(4,555,595)		(4,555,595)
Total Net Position	\$ 32,975,762	\$ (1,069,262)	\$ 31,906,500

**KENTON COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015**

Functions/Programs	Net (Expense) Revenue and Changes in Net Position					
	Total District-wide Expenses	Program Revenues		Governmental Activities	Business-type Activities	Total
		Charges for Services	Operating Grants and Contributions			
Governmental activities						
Instruction	\$ 76,517,159	\$ 277,352	\$ 7,369,620		\$ (68,870,187)	\$ (68,870,187)
Support Services:						
Student	7,829,346				(7,829,346)	(7,829,346)
Instructional staff	3,771,007				(3,771,007)	(3,771,007)
District administrative	2,423,985				(2,423,985)	(2,423,985)
School administrative	7,793,988				(7,793,988)	(7,793,988)
Business support services	1,567,921				(1,567,921)	(1,567,921)
Plant operation and maintenance	14,829,542	50,883			(14,778,659)	(14,778,659)
Transportation	12,177,005	639,179			(11,537,826)	(11,537,826)
Community services	962,813		88,602		(874,211)	(874,211)
Other instructional	148,802				(148,802)	(148,802)
Facilities acquisition & construction				\$ 4,718,714	4,718,714	4,718,714
Interest	7,138,812				(7,138,812)	(7,138,812)
Total governmental activities	135,160,380	967,414	7,458,222	4,718,714	(122,016,030)	(122,016,030)
Business-type activities						
School food services	5,773,990	1,911,273	2,992,655	495,360	(374,702)	(374,702)
Total business-type activities	5,773,990	1,911,273	2,992,655	495,360	(374,702)	(374,702)
Total activities	\$ 140,934,370	\$ 2,878,687	\$ 10,450,877	\$ 5,214,074	\$ (122,016,030)	\$ (122,390,732)
General revenues:						
Taxes						
Property taxes					\$ 49,351,600	\$ 49,351,600
Utility taxes					6,245,198	6,245,198
State sources						
SEEK program revenues				42,140,277		42,140,277
On behalf revenues				22,923,596	\$ 382,147	23,305,743
Other state revenues and grants				2,723,494		2,723,494
Interest and investment earnings				44,023	292	44,315
Gain on disposition of capital assets				17,724	8	17,732
Miscellaneous				2,664,947		2,664,947
Total general revenues				126,110,859	382,447	126,493,306
Change in net position				4,094,829	7,745	4,102,574
Net position, beginning of year, as restated				28,880,933	(1,077,007)	27,803,926
Net position, end of year				\$ 32,975,762	\$ (1,069,262)	\$ 31,906,500

See Accompanying Notes to Financial Statements

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

KENTON COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENT FUNDS
June 30, 2015

	General Fund	Special Revenue Fund	Construction Fund	Debt Service Fund	Capital Outlay Fund	Building Fund	District Activity Fund (Nonmajor)	Total Governmental Funds
Assets								
Cash and cash equivalents	\$ 10,625,464		\$ 16,880,128		\$ 14,433		\$ 593,729	\$ 28,113,754
Investments	3,000,000							3,000,000
Inventory	211,296							211,296
Accounts and grants receivable	1,695,102	\$ 1,190,757					-	2,885,859
Total Assets	\$ 15,531,862	\$ 1,190,757	\$ 16,880,128	\$ -	\$ 14,433	\$ -	\$ 593,729	\$ 34,210,909
Liabilities								
Accounts payable	\$ 1,370,158	\$ 300,719	\$ 730,455				\$ 9,669	\$ 2,411,001
Accrued liabilities	2,652							2,652
Unearned revenue	15,700	890,038						905,738
Total Liabilities	\$ 1,388,510	\$ 1,190,757	\$ 730,455	\$ -	\$ -	\$ -	\$ 9,669	\$ 3,319,391
Fund Balances								
NonSpendable	\$ 211,296							\$ 211,296
Restricted	210,557		\$ 16,149,673		\$ 14,433		\$ 574,841	16,949,504
Committed	1,759,357							1,759,357
Assigned	1,143,236						9,219	1,152,455
Unassigned	10,818,906							10,818,906
Total Fund Balances	\$ 14,143,352	\$ -	\$ 16,149,673	\$ -	\$ 14,433	\$ -	\$ 584,060	\$ 30,891,518
Total Liabilities and Fund Balances	\$ 15,531,862	\$ 1,190,757	\$ 16,880,128	\$ -	\$ 14,433	\$ -	\$ 593,729	\$ 34,210,909

See Accompanying Notes to Financial Statements

**KENTON COUNTY SCHOOL DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2015**

Total Governmental Fund Balances	\$	30,891,518
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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 the governmental fund balance sheet.		208,131,167
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Deferred savings from refunding bonds are not financial resources and therefore are not reported as assets in the governmental funds balance sheet.		6,908,328
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Deferred Outflows and Inflows from CERS Pension are not financial resources and therefore are not reported as assets in the governmental funds balance sheet.		205,793
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Long-term liabilities, including bonds payable, are not due and payable in the government funds balance sheet. Long-term liabilities at year-end consist of:

Bonds Payable		(187,769,829)
Accrued Interest - Bonds Payable		(1,431,128)
Compensated Absences		(2,073,303)
Multi-employer Insurance Trust Liability		(572,298)
Net Pension Liability		(21,314,486)

Net Position of Governmental Activities	\$	32,975,762
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See Accompanying Notes to Financial Statements

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

	General Fund	Special Revenue Fund	Construction Fund	Debt Service Fund (Nonmajor)	Capital Outlay Fund (Nonmajor)	Building Fund (Nonmajor)	District Activity Fund (Nonmajor)	Total Governmental Funds
Revenues								
Local sources								
Property taxes	\$ 32,097,513					\$ 12,500,757		\$ 44,598,270
Motor Vehicle taxes	4,753,330							4,753,330
Utilities taxes	6,245,198							6,245,198
Tuition and fees	277,352							277,352
Transportation revenue	639,179							639,179
Other local revenues	644,367						\$ 1,123,258	1,767,625
Grants from local agencies and donors		\$ 88,602						88,602
State sources								
SEEK program	43,965,574				\$ 1,322,408			45,287,982
FSPK program						1,571,008		1,571,008
KSFCC allocation				\$ 1,825,297				1,825,297
Other state revenues	21,584,143	4,062,947						25,647,090
Federal sources - indirect	195,610	5,544,323						5,739,933
Interest Income on Investments	42,003		\$ 2,020					44,023
Other sources	17,724			629				18,353
Total Revenues	\$ 110,461,993	\$ 9,695,872	\$ 2,020	\$ 1,825,926	\$ 1,322,408	\$ 14,071,765	\$ 1,123,258	\$ 138,503,242
Expenditures								
Instruction	\$ 66,106,140	\$ 7,319,595					\$ 691,545	\$ 74,117,280
Student support services	7,626,434	321,107					16,368	7,963,909
Instructional staff support services	3,060,232	682,849					73,166	3,816,247
District administrative support services	2,449,107							2,449,107
School administrative support services	7,683,620	246,114						7,929,734
Business support services	1,584,138	9,063						1,593,201
Plant operations and maintenance	11,008,562	46						11,032,285
Transportation	11,125,391	309,139					23,677	11,436,432
Community services	3,493	976,536					1,902	980,029
Educational specific		148,802						148,802
Building renovations			\$ 3,862,056					3,862,056

Continued

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

	General Fund	Special Revenue Fund	Construction Fund	Debt Service Fund	Capital Outlay Fund	Building Fund	District Activity Fund (Nonmajor)	Total Governmental Funds
Expenditures (Continued)								
Other								
Debt Service				10,945,000				11,353,728
Principal	408,728			5,661,096				5,718,788
Interest	57,692			480,782				854,380
Bond issuance costs			373,598					
Total Expenditures	\$ 111,113,537	\$ 10,013,251	\$ 4,235,654	\$ 17,086,878	\$ -	\$ -	\$ 806,658	\$ 143,255,978
Excess (deficit) of revenues over expenditures	\$ (651,544)	\$ (317,379)	\$ (4,233,634)	\$ (15,260,952)	\$ 1,322,408	\$ 14,071,765	\$ 316,600	\$ (4,752,736)
Other financing sources (Uses)								
Proceeds from Issuance of bonds	1,345,000		17,320,000	23,340,000				42,005,000
Refunded School Building Revenue Bonds				(8,720,000)				(8,720,000)
Premium on Bonds sold			110,901	534,368				645,269
Payments to bond Escrow Agent				(14,617,663)				(14,617,663)
Transfers in	1,234,954	317,379		14,724,247				16,276,580
Transfers out	(894,717)				(1,310,098)	(14,071,765)		(16,276,580)
Total other financing sources (uses)	\$ 1,685,237	\$ 317,379	\$ 17,430,901	\$ 15,260,952	\$ (1,310,098)	\$ (14,071,765)	\$ -	\$ 19,312,606
Net change in fund balances	1,033,693	-	13,197,267	-	12,310	-	316,600	14,559,870
Fund balances, beginning of year	13,109,659		2,952,406	-	2,123		267,460	16,331,648
Fund balances, end of year	\$ 14,143,352	\$ -	\$ 16,149,673	\$ -	\$ 14,433	\$ -	\$ 584,060	\$ 30,891,518

See Accompanying Notes to Financial Statements

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

Net Change in Fund Balances - Total Governmental Funds	\$	14,559,870
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which depreciation expense exceeds capital outlays for the year as well as differences in gains and losses on capital asset sales		(2,163,789)
Bond proceeds are recorded as revenues in the fund financial statements but are additions to liabilities in the statement of net position		(19,380,219)
Capital lease payments and bond payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position		11,353,728
Accrued bond interest payable is not reported as a liability in the fund financial statements but is recorded in the statement of net position		72,337
Bond premiums are not reported as a part of long-term debt in the fund financial statements but are recorded in the statement of net position		(629,804)
Capitalized savings from bond refundings are not reported in the fund financial statements but must be amortized over the remaining life of the bonds in the statement of net position		(93,196)
Net Pension Liability is not reported as a liability in the fund financial statements but is recorded in the statement of net position		161,774
Noncurrent accrued sick leave is not reported as a liability in the fund financial statements but is recorded in the statement of net position		(22,274)
Multi-employer insurance trust liability is not reported as a liability in the fund financial statements but is recorded in the statement of net position		<u>236,402</u>
Change in Net Position of Governmental Activities	\$	<u><u>4,094,829</u></u>

See Accompanying Notes to Financial Statements

PROPRIETARY FUND FINANCIAL STATEMENTS

KENTON COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUND
June 30, 2015

	Food Service
Assets	
Cash and cash equivalents	\$ 676,728
Accounts Receivable	35,855
Inventories	261,778
Total Current Assets	\$ 974,361
Noncurrent Assets	
Capital assets	3,319,464
Less: Accumulated Depreciation	(2,253,692)
Total Noncurrent Assets	\$ 1,065,772
Deferred Outflows of Resources	
Deferred Outflows from CERS Pension Contributions	359,178
Total Assets	\$ 2,399,311
Liabilities	
Accounts Payable	\$ 18,611
Unearned Revenue	79,353
Long-term maturities of compensated absences	74,204
Net Pension Liability	2,965,514
Total Liabilities	\$ 3,137,682
Deferred Inflows of Resources	
Deferred Inflows from CERS Pension Contributions	330,891
Net Position	
Net investment in capital assets	1,065,772
Restricted	(2,135,034)
Total Net Position	\$ (1,069,262)
Total Liabilities and Net Position	\$ 2,399,311

See Accompanying Notes to Financial Statements

KENTON COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
June 30, 2015

	Food Service
Operating revenues	
Lunchroom sales	\$ 1,880,499
Other operating revenues	30,774
Total operating revenues	1,911,273
Operating expenses	
Salaries and wages	2,862,244
Contract services	69,854
Materials and supplies	2,627,778
Depreciation	190,728
Other expenses	23,387
Total operating expenses	5,773,991
Operating loss	\$ (3,862,718)
Non-operating revenues (expenses)	
Federal grants	\$ 2,929,699
Donated commodities	495,360
On-behalf revenues	382,147
State grants	62,956
Investment income	292
Gain on disposal of capital assets	9
Total non-operating revenues	3,870,463
Net Change in Net Position	\$ 7,745
Net Position, beginning of year, as restated	(1,077,007)
Net Position, end of year	\$ (1,069,262)

See Accompanying Notes to Financial Statements

KENTON COUNTY SCHOOL DISTRICT
Statement of Cash Flows – Proprietary Fund
Proprietary Fund
June 30, 2015

Cash Flows from Operating Activities

Cash Received From:

Lunchroom sales	\$ 1,940,398
Other activities	30,774

Cash Paid To/For:

Employees	(2,512,705)
Supplies	(2,158,953)

Net cash used in operating activities	\$ (2,700,486)
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Cash Flows from Capital and Related Financing Activities

Purchases of capital assets	(26,104)
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Cash Flows from Investing Activities

Investment income	292
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Cash Flows from Noncapital Financing Activities

Cash received from non-operating revenues	\$ 2,992,664
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Net increase in Cash and Cash Equivalents	266,366
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Balances - beginning of year	410,362
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Balances - end of year	\$ 676,728
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**Reconciliation of Operating Loss to Net Cash Used
in Operating Activities**

Operating Loss	\$ (3,862,718)
Adjustments to Reconcile Operating Loss to Net Cash	

Used in Operating Activities:

Commodities used	495,360
On-behalf payments	382,147
Depreciation	190,728

Change in Assets and Liabilities:

Accounts receivable	(19,454)
Inventory	51,613
Accounts payable	15,093
Deferred revenue	79,353
Accrued sick leave	(10,445)
CERS Pension Deferrals and Net Liability	(22,163)

Net Cash Used in Operating Activities	\$ (2,700,486)
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SCHEDULE OF NON-CASH TRANSACTIONS

Donated commodities received from federal government	\$ 495,360
On-behalf payments	\$ 382,147

See Accompanying Notes to Financial Statements

FIDUCIARY FUNDS FINANCIAL STATEMENT

**Kenton County School District
Statement of Fiduciary Net Position
June 30, 2015**

	<u>Agency Fund</u>
Assets	
Cash and Cash Equivalents	\$ 963,140
Accounts Receivable	<u>784</u>
Total Assets	<u>\$ 963,924</u>
Liabilities	
Accounts Payable	\$ 11,452
Due To Student Groups	<u>952,472</u>
Total Liabilities	<u>\$ 963,924</u>

See Accompanying Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

**Kenton County School District
Notes to Financial Statements
Year Ended June 30, 2015**

Note A--Nature of Organization and Operations

The Kenton 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 school education within the jurisdiction of the Kenton 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. 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 Kenton County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the District itself such as Band Boosters, Parent-Teacher Associations, etc.

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

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

Kenton County School District Finance Corporation--The Board authorized the establishment of the Kenton County School District Finance Corporation (the "Corporation") (a non-profit, non-stock, public 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 Kenton County Board of Education also comprise the Corporation's Board of Directors.

Note B--Summary of Significant Accounting Policies

Basis of Presentation

District-wide Financial Statements--The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the District's financial activities, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

The district-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 reconciliations with brief explanations to better identify the relationship between the district-wide financial statements and the statements for governmental funds.

Continued

**Kenton County School District
Notes to Financial Statements--Continued
Year Ended June 30, 2015**

Note B--Summary of Significant Accounting Policies--Continued

Basis of Presentation--Continued

The District-Wide Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient for 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--The financial transactions of the District are reported in individual funds in the fund financial statements. Funds are organized into three major categories: governmental, proprietary and fiduciary. The focus of governmental and proprietary 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 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 sources (i.e. revenues and other financing sources) and uses (i.e. expenditures and other financing uses) of current financial resources).

Proprietary funds are reported using the economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position. The Statement of Cash Flows provides information about how the District finances and meets the cash flow of the proprietary activities.

Fiduciary Funds are reported using the current financial resources measurement focus. Agency funds are not involved in the measurement of results of operations; therefore measurement focus is not applicable to them.

In the fund financial statements, governmental funds and agency funds are presented using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when paid.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used.

Continued

**Kenton County School District
Notes to Financial Statements--Continued
Year Ended June 30, 2015**

Note B--Summary of Significant Accounting Policies--Continued

Basis of Presentation--Continued

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

The District has the following funds:

I. Governmental Fund Types

Major Funds

- A. The General Fund is the primary operating fund of the District. It accounts for all activities except those legally or administratively required to be accounted for in other funds. 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 period as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. This is a major fund of the District.
- C. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.
- D. Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law. This is a major fund of the District.

Nonmajor Funds

- A. 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.
- B. The Facility Support Program of Kentucky Fund ("FSPK") accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
- C. District Activity Funds are used to account for revenue and expenditures related to co-curricular and extra-curricular student activities. The funds have been restricted by the Board for specific purposes.

Continued

**Kenton County School District
Notes to Financial Statements--Continued
Year Ended June 30, 2015**

Note B--Summary of Significant Accounting Policies--Continued

Basis of Presentation--Continued

II. Proprietary Funds Types (Enterprise Fund)

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program and the National School Breakfast Program, which are conducted in cooperation with the U.S. Department of Agriculture ("USDA"). The Food Service fund is a major fund of the District.

III. Fiduciary Fund Type (Agency Funds)

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

Basis of Accounting and Financial Statement Presentation--The financial statements of the District have been prepared in accordance with generally accepted accounting principles ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the standard-setting body for government accounting and financial reporting.

The District adopted GASB statement 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which codified all applicable GASB, Financial Accounting Standards Board ("FASB"), and Accounting Principles Board opinions dated according to the title of the statement.

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.

Accounts Receivable--Receivables consist of all revenues earned at year-end and likely received within 90 days from end of the fiscal period. Major receivable amounts consist of tax revenue earned through June 30, 2015 as well as federal and state grant reimbursement revenue.

Investments--In accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments are reported at fair value.

Inventories--Government Fund inventory consists of expendable transportation supplies and materials held for consumption and are stated at the lower of cost or market. Inventory accounted for in the Proprietary Fund consists of donated and purchased foods held for resale. Purchased food is valued at cost and U.S. Government donated commodities value is determined by the U.S. Department of Agriculture. All other supplies and materials are charged to expenses/expenditures when purchased. The Proprietary Fund inventories use the specific identification method and the Government Fund inventories use the first-in, first-out method.

Bond Issue Costs--Prior to July 1, 2013, costs associated with the issuance of bond obligations were capitalized and amortized over the related bond term on the statements of net position and activities. Effective July 1, 2013, the District adopted the GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Accordingly, the District expenses bond issue costs as incurred.

Continued

**Kenton County School District
Notes to Financial Statements--Continued
Year Ended June 30, 2015**

Note B--Summary of Significant Accounting Policies--Continued

Basis of Accounting and Financial Statement Presentation--Continued

Capital Assets--Governmental fund capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets are reported as expenditures in the governmental funds. These assets are reported in the governmental activities column of the district-wide statement of net position but are not reported in the governmental funds balance sheet. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the district-wide statement of net position and in the proprietary fund statement of net position.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000 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 expensed.

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 capital assets:

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

Deferred Savings on Bond Refundings--Deferred savings on bond refunding represents losses equal to the principal amount borrowed to refund the principal amount outstanding on previous bond issues. These amounts are recognized as deferred outflows of resources on the accompanying statement of net position. The amounts are amortized over the life of the new bond or the life of the refunded bond (whichever is shorter), and included in interest expense on the accompanying statement of activities.

Estimates--The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 general purpose financial statements, and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

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

Continued

**Kenton County School District
Notes to Financial Statements--Continued
Year Ended June 30, 2015**

Note B--Summary of Significant Accounting Policies--Continued

Basis of Accounting and Financial Statement Presentation--Continued

Accrued Liabilities and Long-Term Obligations--All payables, accrued liabilities and long-term obligations are reported in the district-wide financial statements, and all payables and accrued liabilities 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, 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.

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 experience of making termination payments. The entire compensated absence liability is reported on the district-wide financial statements.

Pensions--For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System, Non-Hazardous ("CERS") and Kentucky Teachers Retirement System ("KTRS") and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by these 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.

Equity Classifications--In the district-wide financial statements, equity is classified as net position and displayed in the following three components:

- Net Investment in Capital Assets – Capital Assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of the capital assets.
- Restricted Net Position – Net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, or laws or regulations or 2) law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – All other net assets that do not meet the definition of "restricted" or "net investment in capital assets".

Government Fund Balance Reserves--The District follows GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions* which defines fund balance categories to make the nature and extent of the constraints placed on the District's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Continued

**Kenton County School District
Notes to Financial Statements--Continued
Year Ended June 30, 2015**

Note B--Summary of Significant Accounting Policies--Continued

Basis of Accounting and Financial Statement Presentation--Continued

Nonspendable Fund Balance--Amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.

Restricted Fund Balance--Amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed Fund Balance--Amounts constrained to specific purposes by the Board, using its decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the Board takes the action to remove or change the constraint.

Assigned Fund Balance--Amounts the District intends to use for specific purpose (such as encumbrances); intent can be expressed by the District or by an official or body to which the District delegates the authority.

Unassigned Fund Balance--Amounts that are available for purpose; positive amounts are reported only in the General fund.

It is the Board's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board or managerial obligations, using restricted funds first, followed by committed funds, assigned funds, then unassigned funds.

Encumbrances--Encumbrances are not liabilities and are not recorded as expenditures until receipt of material or service. Encumbrances remaining open at the end of the fiscal year are automatically re-budgeted in the following fiscal year. Encumbrances are considered a managerial assignment of fund balance in the governmental funds balance sheet.

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, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources 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 they can be recognized.

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

Continued

**Kenton County School District
Notes to Financial Statements--Continued
Year Ended June 30, 2015**

Note B--Summary of Significant Accounting Policies--Continued

Basis of Accounting and Financial Statement Presentation--Continued

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

Expenses/Expenditures--On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Donated Commodities--The fair value of donated commodities received during the year is reported in the Proprietary Fund Statement of Revenues, Expenses and Changes in Net Position as an expense and as donated commodities revenue (nonoperating revenue).

Taxes--Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the County. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund. The property tax rates assessed for the year ended June 30, 2015 were \$0.591 per \$100 valuation for real property and \$0.591 per \$100 valuation for tangible personal property. Motor vehicle tax was \$0.635 for \$100 valuation of motor vehicles.

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

Budgetary Process--The District's budgetary process accounts for certain transactions on a basis other than GAAP of the United States of America. The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

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.

Continued

**Kenton County School District
Notes to Financial Statements--Continued
Year Ended June 30, 2015**

Note B--Summary of Significant Accounting Policies--Continued

Basis of Accounting and Financial Statement Presentation--Continued

Recently Issued Accounting Standards--Effective July 1, 2013, the District implemented new requirements. GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement, effective for periods beginning after December 15, 2012, established accounting and financial reporting standards that recognizes, as deferred outflows of resources and or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Note C--Cash, Cash Equivalents and Investments

District funds are required to be deposited and invested under the terms of a depository contract pursuant to Kentucky Revised Statutes ("KRS") 160.570 and 702 Kentucky Administrative Regulations ("KAR") 3:090. The depository bank holds for safekeeping with the District's third party agent approved pledged securities 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 dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may be lost. The District's cash deposits are covered by Federal Depository Insurance up to \$250,000 per financial institution, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name.

Cash equivalents are funds temporarily invested in securities with an original maturity of 90 days or less.

Cash and cash equivalents at June 30, 2015 consisted of the following:

	<u>Bank Balance</u>	<u>Book Balance</u>
First Financial Bank	\$32,891,415	\$29,586,301
Monticello Bank	156,221	156,221
Fifth Third Bank	11,100	11,100
		<u>\$29,753,622</u>
<u>Amounts per financial statements:</u>		
Governmental funds		\$28,113,754
Proprietary funds		676,728
Fiduciary funds		963,140
		<u>963,140</u>
Total		<u>\$29,753,622</u>

Continued

**Kenton County School District
Notes to Financial Statements--Continued
Year Ended June 30, 2015**

Note C--Cash, Cash Equivalents and Investments--Continued

During the year, the District invested excess cash into short-term repurchase agreements, collateralized by U.S. Government securities and highly rated commercial paper instruments. These investments are either insured or securities are held by the pledging financial institution's trust department in the District's name. District policy limits investment in non U.S. government backed securities to no more than twenty percent of the total amount invested at any one time. Fiduciary funds utilize certificate of deposit instruments in Kenton County financial institutions at various interest rates and maturity dates. These amounts are included in the Cash and Cash Equivalents amounts on the fiduciary financial statements.

Kentucky statutes authorize the District to invest in the following:

1. Obligations of the United States Government and of its agencies and instrumentalities, repurchase agreements and specially approved AAA rated corporate bonds;
2. Bonds or certificates of indebtedness of the Commonwealth of Kentucky and of its agencies and municipalities;
3. Any savings and loan associations insured by an agency of the United States Government up to the amount insured;
4. Interest bearing deposits in national and state banks chartered in Kentucky and insured by an agency of the United States Government up to the amount so insured, and in larger amounts providing such bank shall pledge securities having a current quoted market value at least equal to any uninsured deposits.

As of June 30, 2015, the District had the following investments:

<u>Fund Type</u>	<u>Investment Type</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Moody's Rating</u>	<u>Maturity Date</u>	<u>Yield</u>
Government	U.S. Treasury Note	\$3,000,000	\$3,003,000	AA+	8-May-17	0.74%

Kenton County School District
Notes to Financial Statements--Continued
Year Ended June 30, 2014

Note D -- Capital Assets

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

	<u>Balance</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance</u> <u>June 30, 2015</u>
<u>Governmental activities</u>				
Cost				
Land	\$ 6,359,319			\$ 6,359,319
Construction in progress	14,574,820	\$ 4,124,753	\$ 12,392,816	6,306,757
Land improvements	3,818,447	640,629		4,459,076
Buildings & building improvements	254,249,978	11,219,999		265,469,977
Technology equipment	10,157,966	974,990	246,272	10,886,684
Vehicles	11,473,831	1,254,523	622,804	12,105,550
General equipment	2,140,207	565,230	56,327	2,649,110
Total assets at historical cost	<u>\$ 302,774,568</u>	<u>\$ 18,780,124</u>	<u>\$ 13,318,219</u>	<u>\$ 308,236,473</u>
	<u>Balance</u> <u>June 30, 2014</u>	<u>Depreciation</u>	<u>Dispositions</u>	<u>Balance</u> <u>June 30, 2015</u>
Accumulated depreciation				
Land improvements	\$ 2,412,143	\$ 107,572		\$ 2,519,715
Buildings & building improvements	74,953,370	6,249,501		81,202,871
Technology equipment	6,044,645	1,063,385	\$ 234,404	6,873,626
Vehicles	7,505,969	964,380	617,295	7,853,054
General equipment	1,563,485	125,269	32,714	1,656,040
Total Accumulated depreciation	<u>\$ 92,479,612</u>	<u>\$ 8,510,107</u>	<u>\$ 884,413</u>	<u>\$ 100,105,306</u>
Governmental Activities				
Depreciable capital assets	\$ 189,360,817			\$ 195,465,091
Non-depreciable capital assets	20,934,139			12,666,076
Capital Assets, net of accumulated depreciation	<u>\$ 210,294,956</u>			<u>\$ 208,131,167</u>
	<u>Balance</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance</u> <u>June 30, 2015</u>
<u>Business-Type activities</u>				
Cost				
Food service equipment	\$ 3,222,791	\$ 20,068	\$ 6,728	\$ 3,236,131
Vehicles	74,488	-	-	74,488
Technology equipment	3,463	6,695	1,313	8,845
Total assets at historical cost	<u>\$ 3,300,742</u>	<u>\$ 26,763</u>	<u>\$ 8,041</u>	<u>\$ 3,319,464</u>
	<u>Balance</u> <u>June 30, 2014</u>	<u>Depreciation</u>	<u>Dispositions</u>	<u>Balance</u> <u>June 30, 2015</u>
Accumulated depreciation				
Food service equipment	\$ 2,009,492	\$ 182,677	\$ 6,069	\$ 2,186,100
Vehicles	59,655	4,564	-	64,219
Technology equipment	1,199	3,487	1,313	3,373
Total accumulated depreciation	<u>\$ 2,070,346</u>	<u>\$ 190,728</u>	<u>\$ 7,382</u>	<u>\$ 2,253,692</u>
Business-Type activities				
Capital Assets, net of accumulated depreciation	<u>\$ 1,230,396</u>			<u>\$ 1,065,772</u>

Continued

**Kenton County School District
Notes to Financial Statements--Continued
Year Ended June 30, 2015**

Note D--Capital Assets--Continued

Depreciation expense for the year ended June 30, 2015 for governmental activities by function is summarized below:

Instruction	\$ 3,554,859
Instruction staff support service	17,627
District administration support service	12,954
Business support services	3,759
Plant operation and maintenance	4,005,457
Transportation	915,415
Community services	<u>36</u>
 Total Depreciation Expense	 <u><u>\$ 8,510,107</u></u>

Note E--Bonded Debt

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

<u>Issue</u>	<u>Purpose of Issue</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Amount Outstanding</u>
2005 Refinance Bonds	Refinance 1997 bond obligations	\$ 18,290,000	3.00-4.00%	3/1/2017	\$ 4,470,000
2006A Revenue Bonds	Additions to Summit View and Ryland Heights Elementary	3,560,000	3.20-4.25	2/1/2016	155,000
2006B Revenue Bonds	Improvements at Dixie Heights HS	8,625,000	4.0-4.375%	4/1/2016	350,000
2006C Revenue Bonds	Improvements at Dixie Heights HS	8,220,000	3.625-4.250%	10/1/2017	680,000
2009 Revenue Bonds	New middle school	29,400,000	3.0-4.625%	2/1/2029	25,995,000
2009B Revenue Bonds	Refinance 1999 bond obligations	3,635,000	2.0-3.5%	2/1/2019	1,835,000
2009C Revenue Bonds	Refinance 2000 bond obligations	6,355,000	1.2-3.6%	8/1/2020	4,185,000
2010 Refinancing Bonds	Improvements at Scott High School and Refinance 2002 bond obligations	19,855,000	0.5-2.5%	4/1/2022	13,665,000
2011 Revenue Bonds	Improvements at Scott High School	9,105,000	2.5-4.5%	5/1/2031	8,320,000
2012R Revenue Bonds	Refinance 2004 bond obligations	43,530,000	2.5%-6.5%	6/1/2024	34,885,000
2013R Revenue Bonds	Refinance 2005 bond obligations	30,545,000	2.0-3.0%	2/1/2025	29,890,000
2013 Revenue Bonds	Scott High School Renovations	12,005,000	2.0-3.125%	5/1/2033	11,265,000
2008 Conservation Bonds	Energy Conservation Improvements	3,880,000	2.5-4.25%	10/1/2025	2,815,000
2014 Conservation Bonds	Energy Conservation Improvements	4,170,000	1.0-4.0%	2/1/2034	4,000,000
2015A Refinancing Bonds	Refinance 2009D bond obligations	8,895,000	2.0-3.0%	9/1/2029	8,895,000
2015B Refinancing Bonds	bond obligations	14,445,000	2.0-3.0%	10/1/2026	14,445,000
2015C Revenue Bonds	Scott High School Renovations	17,320,000	3.0-3.625%	5/1/2035	<u>17,320,000</u>
Total					183,170,000
Unamortized Bond Premium					1,383,563
Bonds Payable, Net					<u><u>\$ 184,553,563</u></u>

Continued

**Kenton County School District
Notes to Financial Statements--Continued
Year Ended June 30, 2015**

Note E--Bonded Debt--Continued

Bonds payable activity for the year ended June 30, 2015 was as follows:

	Balance 6/30/2014	Increases	Decreases	Balance 6/30/2015	Amounts Due in One Year
2005 Revenue Bonds	\$ 820,000		(\$820,000)		
2005R Refinance Bonds	6,570,000		(2,100,000)	\$ 4,470,000	\$ 2,190,000
2006A Revenue Bonds	2,535,000		(2,380,000)	155,000	155,000
2006B Revenue Bonds	6,310,000		(5,960,000)	350,000	350,000
2006C Revenue Bonds	6,985,000		(6,305,000)	680,000	220,000
2009 Revenue Bonds	26,605,000		(610,000)	25,995,000	625,000
2009B Revenue Bonds	2,190,000		(355,000)	1,835,000	370,000
2009C Revenue Bonds	4,755,000		(570,000)	4,185,000	580,000
2009D Revenue Bonds	9,005,000		(9,005,000)		
2010R Revenue Bonds	15,475,000		(1,810,000)	13,665,000	1,845,000
2011 Revenue Bonds	8,515,000		(195,000)	8,320,000	205,000
2012R Revenue Bonds	37,395,000		(2,510,000)	34,885,000	2,575,000
2013R Revenue Bonds	30,215,000		(325,000)	29,890,000	1,180,000
2013 Revenue Bonds	11,605,000		(340,000)	11,265,000	340,000
2008 Energy Bonds	2,980,000		(165,000)	2,815,000	170,000
2014 Energy Bonds	4,170,000		(170,000)	4,000,000	170,000
2015A Refinancing Bonds		\$ 8,895,000		8,895,000	360,000
2015B Refinancing Bonds		14,445,000		14,445,000	105,000
2015C Revenue Bonds		17,320,000		17,320,000	615,000
	<u>\$ 176,130,000</u>	<u>\$ 40,660,000</u>	<u>\$ (33,620,000)</u>	<u>\$ 183,170,000</u>	<u>\$ 12,055,000</u>

The District, through the General Fund (including utility taxes) and the SEEK Capital Outlay Fund is obligated to make bond payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Kenton County Fiscal Court and the Kenton County School District Finance Corporation to construct school facilities.

The District entered into "participation agreements" with the Kentucky School Facility Construction Commission ("KSFCC"). The KSFCC was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the KSFCC for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal has been recorded in the financial statements.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. As of June 30, 2015 the total bond principal and interest due was \$183,170,000 and \$47,456,451, respectively. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the KSFCC, at June 30, 2015 for debt service (principal and interest) are as follows:

Continued

**Kenton County School District
Notes to Financial Statements--Continued
Year Ended June 30, 2015**

Note E--Bonded Debt--Continued

	Kenton County Board of Education		Kentucky School Facility Construction Commission		Total	Total
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 10,610,745	\$ 5,063,913	\$ 1,444,255	\$ 454,388	\$ 12,055,000	\$ 5,518,301
2017	10,840,967	4,828,912	1,484,033	410,493	12,325,000	5,239,405
2018	11,151,137	4,527,298	1,523,863	370,260	12,675,000	4,897,558
2019	11,421,237	4,252,297	1,563,763	328,897	12,985,000	4,581,194
2020	11,714,673	3,963,139	1,485,327	287,985	13,200,000	4,251,124
2021-2025	63,350,216	15,000,506	5,589,784	934,196	68,940,000	15,934,701
2026-2030	38,288,782	5,746,468	2,111,218	348,826	40,400,000	6,095,294
2031-2035	9,568,029	861,203	1,021,971	77,672	10,590,000	938,875
	<u>\$166,945,786</u>	<u>\$44,243,735</u>	<u>\$16,224,214</u>	<u>\$3,212,716</u>	<u>\$183,170,000</u>	<u>\$47,456,451</u>
Plus Unamortized Premiums					<u>1,383,563</u>	
Total School Revenue Bonds					<u>\$184,553,563</u>	

Defeased Bonds--As of June 30, 2015, the outstanding principal amount of indebtedness that is considered to be extinguished under "in substance defeasance" and therefore excluded from the financial statements was approximately \$ 14,617,663.

Note F--Capital Lease Obligations

The Company leases several buses under long-term capital leases. Future minimum lease payments are as follows:

<u>Years Ending June 30</u>	<u>Amount</u>
2016	\$ 496,149
2017	471,420
2018	451,255
2019	430,443
2020	430,742
2021-2024	1,300,631
Total	<u>3,580,641</u>
Less amounts representing interest	<u>(364,375)</u>
Present Value of Minimum Lease Payments	3,216,266
Capital lease obligations, due within one year	<u>423,993</u>
Capital lease obligations, due after one year	<u>\$ 2,792,273</u>
Leased property under capital leases at June 30, 2015 consists of:	
Equipment	\$ 3,200,964
Less accumulated depreciation	<u>(731,161)</u>
Net property under capital lease	<u>\$ 2,469,803</u>

**Kenton County School District
Notes to Financial Statements--Continued
Year Ended June 30, 2015**

Note G--Commitments Under Operating Leases

The District entered into a five-year operating lease for office space on July 1, 2007. The annual lease payments at inception were \$102,000. The lease was extended to July 1, 2017 per the terms in the original agreement and the annual payments were increased by \$112,200 per year in accordance with the terms of the lease. The District entered into a five-year operating lease for office space on June 1, 2011. The annual lease payments at inception were \$102,996. The lease contains an open-ended option to renew.

Minimum future lease payments as of June 30, 2015, are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2016	\$ 269,991
2017	<u>183,695</u>
Total	<u><u>\$ 453,686</u></u>

Note H--On-Behalf Payments

For the year ended June 30, 2015 total payments of \$23,305,742 were made for life insurance, health insurance, Kentucky Teacher's Retirement System matching, administrative and technology fees by the Commonwealth of Kentucky (the "Commonwealth") on behalf of the District. This amount also includes the KSFCC debt service payments contributed by the Commonwealth. These payments were recognized as on-behalf payments and are recorded in the appropriate revenue and expense accounts on the District-wide statement of activities and in the governmental funds statement of revenues, expenditures and changes in fund balances. In addition, for the year ended June 30, 2015, total payments of \$382,147 for the items noted above were made by the Commonwealth on behalf of the District for the proprietary fund.

Note I--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 Non-Hazardous ("CERS") covers employees whose position does not require a college degree or teaching certification. The Kentucky Teachers' Retirement System ("KTRS") covers positions requiring teaching certification or otherwise requiring a college degree.

General information about the County Employees Retirement System Non-Hazardous

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. 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>.

Continued

**Kenton County School District
Notes to Financial Statements--Continued
Year Ended June 30, 2015**

Note I--Retirement Plans--Continued

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

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

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

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

	Required Contribution
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

General information about the Kentucky Teachers' Retirement System

Plan description--Teaching certified employees of the District and other employees whose positions require at least a college degree are provided pensions through the 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 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.

Continued

**Kenton County School District
Notes to Financial Statements--Continued
Year Ended June 30, 2015**

Note I--Retirement Plans--Continued

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

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

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

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

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

Contributions--Contribution rates are established by Kentucky Revised Statutes ("KRS"). Non-university employees are required to contribute 12.105% of their salaries to the System.

The Commonwealth, 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.

Continued

**Kenton County School District
Notes to Financial Statements--Continued
Year Ended June 30, 2015**

Note I--Retirement Plans--Continued

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

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

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

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

District's proportionate share of the CERS net pension liability	\$ 24,280,000
Commonwealth's proportionate share of the KTRS net pension liability associated with the District	<u>402,114,109</u>
	<u>\$ 426,394,109</u>

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

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2014, the District's proportion was 0.748360% percent.

Continued

**Kenton County School District
Notes to Financial Statements--Continued
Year Ended June 30, 2015**

Note I--Retirement Plans--Continued

For the year ended June 30, 2015, the District recognized pension expense of \$ 3,242,660 related to CERS and \$19,704,410 related to KTRS. The District also recognized revenue of \$19,704,410 for KTRS support provided by the Commonwealth. At June 30, 2014, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	-	-
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	\$ 2,710,000
Changes in proposition and differences between District contributions and proportionate share of contributions	-	-
District contributions subsequent to the measurement date	<u>\$ 2,944,080</u>	<u>-</u>
 Total	 <u>\$ 2,944,080</u>	 <u>\$ 2,710,000</u>

An amount of \$2,944,080 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:

<u>Year Ended June 30:</u>	
2016	\$ 542,000
2017	542,000
2018	542,000
2019	542,000
2020	542,000

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:

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

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

Continued

**Kenton County School District
Notes to Financial Statements--Continued
Year Ended June 30, 2015**

Note I--Retirement Plans--Continued

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

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

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

<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.

Continued

**Kenton County School District
Notes to Financial Statements--Continued
Year Ended June 30, 2015**

Note I--Retirement Plans--Continued

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

Sensitivity of CERS 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	\$ 21,147,097	\$ 24,280,000	\$ 27,412,903
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 J--Contingencies

Grant Fund Approval

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 grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue the programs.

KSBIT Insurance Assessment

The District received final assessments from the Kentucky School Board Insurance Trust Worker's Compensation and Property & Liability Funds. The assessments represent the District's member share of loss deficits in the self-insurance pools. The assessments will be paid over the next three years and are included in current and long term liabilities in the Statement of Net Position. Current litigation related to the KSBIT liability on \$8 million in surplus notes has not been resolved at this time. The financial impact of the pending litigation to the District cannot be determined at this time.

**Kenton County School District
Notes to Financial Statements--Continued
Year Ended June 30, 2015**

Note K--Insurance and Related Activities

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

Note L--Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs 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.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. The District purchases workers' compensation insurance from Kentucky Employers' Mutual Insurance Company. 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.

Note M--Deficit Operating/Fund Balances

There are no funds of the District that currently have a deficit fund balance. However, four funds experienced operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of fund balance.

Note N--COBRA

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

Note O--Transfer of Funds

The following transfers were made during the year.

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	General	Special revenue	KETS General Fund Match	\$ 317,379
Operating	General	Debt service	Debt service	577,338
Operating	Capital Outlay	General	Capital Funds Transfer	1,234,954
Operating	Capital Outlay	Debt service	Debt service	75,144
Operating	Building	Debt service	Debt service	14,071,765
			Total	<u>\$ 16,276,580</u>

**Kenton County School District
Notes to Financial Statements -- Continued
Year Ended June 30, 2015**

Note P--Subsequent Events

In preparing these financial statements, management of the Board has evaluated events and transactions for potential recognition or disclosure through November 13, 2015, the date the financial statements were available to be issued.

Note Q--Commitments

The Construction Fund cash balance at June 30, 2015 was \$ 16,880,128. The District has contract and materials purchase commitments on active construction projects in the following amounts:

Scott High School Renovation Projects	\$ 6,339,378
Fort Wright Elementary School Renovation	<u>173,537</u>
Total Construction Commitments	<u>\$ 6,512,915</u>

Note R--Change in Accounting Principle and Related Changes to Certain Beginning Balances

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

GASB 68 required retrospective application. Since the District only presents one year of financial information, the beginning net position was adjusted to reflect the retrospective application. The adjustment resulted in a \$ 24,229,857 reduction in beginning net position on the Statement of Activities and an increase of \$ 3,243,143 of deferred outflows of resources – District contributions subsequent to the measurement date.

REQUIRED SUPPLEMENTARY INFORMATION

KENTON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

Budget and Actual

General Fund

June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
From local sources				
Property taxes	\$ 28,481,416	\$ 29,725,966	\$ 29,801,410	\$ 75,444
Motor vehicle taxes	4,524,634	4,475,000	4,753,330	278,330
Utilities taxes	6,500,000	6,300,000	6,245,198	(54,802)
Other taxes	1,766,548	2,114,133	2,296,104	181,971
Tuition and fees	1,038,800	1,010,000	916,531	(93,469)
Earnings on investments	25,032	25,032	42,003	16,971
Other local revenues	690,061	670,067	644,365	(25,702)
State sources				
SEEK	44,484,479	44,223,667	43,965,574	(258,093)
On-behalf revenues	-	-	21,098,298	21,098,298
Restricted state revenues	430,033	474,376	485,845	11,469
Federal - indirect	152,500	210,000	195,610	(14,390)
Total Revenues	<u>88,093,503</u>	<u>89,228,241</u>	<u>110,444,268</u>	<u>21,216,027</u>
Expenditures				
Instruction	52,333,574	54,123,763	66,106,141	(11,982,378)
Support services:				
Student	6,441,756	6,234,773	7,626,434	(1,391,661)
Instruction staff	2,742,578	2,593,817	3,060,232	(466,416)
District administration	2,278,136	2,528,588	2,449,107	79,481
School administration	6,186,235	6,353,648	7,683,620	(1,329,972)
Business	1,363,095	1,346,718	1,584,138	(237,420)
Plant operation and maintenance	9,985,167	10,150,356	11,008,562	(858,206)
Student transportation	9,417,857	10,344,706	11,125,391	(780,685)
Community service activities	54,879	23,588	3,492	20,096
Debt service	466,420	466,420	466,420	
Contingency	7,213,334	7,808,461	-	7,808,461
Total Expenditures	<u>98,483,033</u>	<u>101,974,839</u>	<u>111,113,537</u>	<u>(9,138,699)</u>
Excess (deficit) of revenues over expenditures	(10,389,530)	(12,746,598)	(669,269)	13,415,867
Other Financing Sources (Uses)				
Proceeds from sale of fixed assets	41,500	15,000	17,724	2,724
Proceeds from Bond Sale (Leases)	-	-	1,345,000	1,345,000
Operating transfers in	826,970	679,775	1,234,954	555,179
Operating transfers out	(785,639)	(787,338)	(894,716)	(107,379)
Total Other Financing Sources (Uses)	<u>82,832</u>	<u>(92,562)</u>	<u>1,702,962</u>	<u>1,795,524</u>
Net Change in Fund Balance	(10,306,698)	(12,839,160)	1,033,693	<u>\$ 13,872,853</u>
Fund Balance, July 1, 2014			<u>13,109,659</u>	
Fund Balance, June 30, 2015	<u>\$ (10,306,698)</u>	<u>\$ (12,839,160)</u>	<u>\$ 14,143,352</u>	

See Independent Auditors' Report

KENTON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Budget and Actual
Special Revenue Fund
June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Other local revenues		\$ 276,527	\$ 88,602	\$ (187,925)
State sources				
Restricted state revenues	\$ 4,329,129	4,562,377	4,062,947	(499,430)
Federal - indirect	4,798,204	5,437,760	5,544,323	106,563
Total Revenues	<u>9,127,333</u>	<u>10,276,663</u>	<u>9,695,872</u>	<u>(580,792)</u>
Expenditures				
Instruction	6,998,267	7,322,524	7,319,595	2,929
Support services:				
Student	304,692	297,387	321,107	(23,720)
Instruction staff	480,828	743,042	682,849	60,193
School administration	115,459	233,285	246,114	(12,829)
Business	-	-	9,063	(9,063)
Plant operation and maintenance	-	138,326	46	138,280
Student transportation	243,731	288,538	309,139	(20,601)
Community service activities	776,055	936,183	976,536	(40,353)
Technology	416,602	634,758	148,802	485,956
Total Expenditures	<u>9,335,634</u>	<u>10,594,042</u>	<u>10,013,251</u>	<u>580,792</u>
Deficit of revenues over expenditures	<u>(208,301)</u>	<u>(317,379)</u>	<u>(317,379)</u>	<u>-</u>
Other Financing Sources				
Operating transfers in	208,301	317,379	317,379	
Total Other Financing Sources (Uses)	<u>208,301</u>	<u>317,379</u>	<u>317,379</u>	
Net Change in Fund Balance	-	-	-	
Fund Balance, July 1, 2014	<u>-</u>	<u>-</u>	<u>-</u>	
Fund Balance, June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

See Independent Auditors' Report

Schedule of the District's Proportionate Share of the Net Pension Liability

**County Employees Retirement System Non-Hazardous

Kenton County Board of Education

June 30, 2015

	<u>2014-15</u>
District's proportion of the net pension liability	0.7483600%
District's proportionate share of the net pension liability	\$ 24,280,000
District's covered employee payroll	\$ 16,656,667
Plan fiduciary net position as a percentage of the total pension liability	66.801030%

** Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

Schedule of the District's Proportionate Share of the Net Pension Liability
 **Kentucky Teacher's Retirement System

Kenton County Board of Education

June 30, 2015

	<u>2014-15</u>
District's proportion of the net pension liability	None
District's proportionate share of the net pension liability	\$0
Commonwealth's proportion of the net pension liability associated with the District	1.9568%
Commonwealth's proportionate share of the net pension liability associated with the District	<u>\$ 402,114,109</u>
Total	<u><u>\$ 402,114,109</u></u>
District's covered employee payroll	\$ 57,147,377
District's proportionate share of the net pension liability	None
Commonwealth's proportionate share of the net pension liability as a percentage of the District's covered payroll	703.64%
Plan fiduciary net position as a percentage of the total pension liability	45.5907%

Schedule of the District Contributions

**County Employees Retirement System Non-Hazardous

Kenton County Board of Education

Last Ten Fiscal Years **

	<u>2014-15</u>
Contractually required contributions	\$ 2,944,080
Contributions in relation to the contractually required contributions	<u>2,944,080</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered payroll	\$ 16,656,667
Contributions as a percentage of covered-employee payroll	17.675%

** Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

Schedule of the District Contributions
**Kentucky Teachers Retirement System

Kenton County Board of Education

Last Ten Fiscal Years **

	<u>2014-15</u>
Contractually required contributions	\$ 1,285,651
Contributions in relation to the contractually required contributions	<u>1,285,651</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered payroll	\$ 57,147,377
Contributions as a percentage of covered-employee payroll	2.2497%

** Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

OTHER SUPPLEMENTARY INFORMATION

ACTIVITY FUNDS FINANCIAL INFORMATION

**Kenton County School District
Combining Statement of Fiduciary Net Position
June 30, 2015**

	Kenton County Academies of Innovation and Technology						Woodland Middle School
	Dixie Heights High School	Scott High School	Simon Kenton High School	Turkey Foot Middle School	Twenhofel Middle School	Woodland Middle School	
Assets							
Cash	\$ 107,291	\$ 107,212	\$ 276,170	\$ 129	\$ 43,849	\$ 89,670	\$ 32,278
Accounts Receivable			591			193	
Total Assets	<u>\$ 107,291</u>	<u>\$ 107,212</u>	<u>\$ 276,761</u>	<u>\$ 129</u>	<u>\$ 43,849</u>	<u>\$ 89,863</u>	<u>\$ 32,278</u>
Liabilities							
Accounts Payable		\$ 8	\$ 7,602		\$ 212		
Due to Student Groups	\$ 107,291	107,204	269,159	129	43,637	89,863	32,278
Total Liabilities	<u>\$ 107,291</u>	<u>\$ 107,212</u>	<u>\$ 276,761</u>	<u>\$ 129</u>	<u>\$ 43,849</u>	<u>\$ 89,863</u>	<u>\$ 32,278</u>

Continued

Kenton County School District
Combining Statement of Fiduciary Net Position
June 30, 2015

	Northern						
	Summit View Middle School	Kentucky Youth Development Center	Beechgrove Elementary	J.A. Caywood Elementary	Fort Wright Elementary	Kenton Elementary	Piner Elementary
Assets							
Cash	\$ 41,037	\$ 586	\$ 19,951	\$ 25,883	\$ 17,846	\$ 22,012	\$ 35,624
Accounts Receivable							
Total Assets	<u>\$ 41,037</u>	<u>\$ 586</u>	<u>\$ 19,951</u>	<u>\$ 25,883</u>	<u>\$ 17,846</u>	<u>\$ 22,012</u>	<u>\$ 35,624</u>
Liabilities							
Accounts Payable					\$ 666		
Due to Student Groups	\$ 41,037	\$ 586	\$ 19,951	\$ 25,883	\$ 17,180	\$ 22,012	\$ 35,624
Total Liabilities	<u>\$ 41,037</u>	<u>\$ 586</u>	<u>\$ 19,951</u>	<u>\$ 25,883</u>	<u>\$ 17,846</u>	<u>\$ 22,012</u>	<u>\$ 35,624</u>

Continued

**Kenton County School District
Combining Statement of Fiduciary Net Position
June 30, 2015**

Assets	R.C. Hinsdale Elementary	River Ridge Elementary	Ryland Heights Elementary	Summit View Elementary	Taylor Mill Elementary	White's Tower Elementary	Totals
Cash	\$ 20,619	\$ 23,940	\$ 15,391	\$ 22,180	\$ 47,625	\$ 13,847	\$ 963,140
Accounts Receivable							784
Total Assets	\$ 20,619	\$ 23,940	\$ 15,391	\$ 22,180	\$ 47,625	\$ 13,847	\$ 963,924
Liabilities							
Accounts Payable	\$ 1,989	\$ 719				\$ 256	\$ 11,452
Due to Student Groups	18,630	23,221	\$ 15,391	\$ 22,180	\$ 47,625	13,591	952,472
Total Liabilities	\$ 20,619	\$ 23,940	\$ 15,391	\$ 22,180	\$ 47,625	\$ 13,847	\$ 963,924

See Independent Auditors' Report

Kenton County School District
Combined Statement of Revenues, Expenses and Changes in Due To Student Groups - Activity Funds
June 30, 2015

	Dixie Heights High School	Scott High School	Simon Kenton High School	Kenton County Academies of Innovation and Technology	Turkey Foot Middle School	Twenhofel Middle School	Woodland Middle School
Revenues from student activities	\$ 358,431	\$ 331,221	\$ 642,378	\$ 1,471	\$ 186,237	\$ 212,294	\$ 119,560
Non-instructional expenses	377,588	424,392	659,549	3,816	186,023	251,811	141,566
Excess (deficit) of revenue over expenditures	(19,157)	(93,171)	(17,171)	(2,345)	214	(39,517)	(22,006)
Due to student groups, June 30, 2014	126,448	200,375	286,330	2,474	43,423	129,381	54,284
Due to student groups, June 30, 2015	\$ 107,291	\$ 107,204	\$ 269,159	\$ 129	\$ 43,637	\$ 89,864	\$ 32,278

Continued

Kenton County School District
Combined Statement of Revenues, Expenses and Changes in Due To Student Groups - Activity Funds
 June 30, 2015

	Summit View Middle School	Northern Kentucky Youth Development Center	Beechgrove Elementary	J.A. Caywood Elementary	Fort Wright Elementary	Kenton Elementary	Piner Elementary	R.C. Hinsdale Elementary
Revenues from student activities	\$ 127,929		\$ 63,742	\$ 40,559	\$ 37,629	\$ 50,300	\$ 54,887	\$ 83,619
Non-instructional expenses	134,044	\$ 40	94,172	55,591	40,237	68,477	116,483	83,163
Excess (deficit) of revenue over expenditures	(6,115)	(40)	(30,430)	(15,032)	(2,608)	(18,177)	(61,596)	456
Due to student groups, June 30, 2014	47,152	626	50,381	40,915	19,788	40,188	97,220	18,174
Due to student groups, June 30, 2015	\$ 41,037	\$ 586	\$ 19,951	\$ 25,883	\$ 17,180	\$ 22,011	\$ 35,624	\$ 18,630

Continued

Kenton County School District
Combined Statement of Revenues, Expenses and Changes in Due To Student Groups - Activity Funds
June 30, 2015

	River Ridge Elementary	Ryland Heights Elementary	Summit View Elementary	Taylor Mill Elementary	White's Tower Elementary	Totals
Revenues from student activities	\$ 88,419	\$ 55,559	\$ 94,107	\$ 48,157	\$ 35,263	\$ 2,631,762
Non-instructional expenses	110,633	66,917	137,967	109,515	65,027	3,127,011
Excess (deficit) of revenue over expenditures	(22,214)	(11,358)	(43,860)	(61,358)	(29,764)	(495,249)
Due to student groups, June 30, 2014	45,435	26,749	66,040	108,983	43,355	1,447,721
Due to student groups, June 30, 2015	\$ 23,221	\$ 15,391	\$ 22,180	\$ 47,625	\$ 13,591	\$ 952,472

See Independent Auditors' Report

Kenton County School District
Statement of Revenues, Expenditures and Changes in Fund Balance and Due To Student Groups
Dixie Heights High School
Year Ended June 30, 2015

Activity	Due To Student Group June 30, 2014	Recpt/JV	Disb/JV	Transfers, Net	Due To Student Group June 30, 2015
Academic Team	\$ 884	\$ 1,150	\$ (1,636)		\$ 398
Admissions - Athletic		14,069	(14,069)		-
AMC Competition	25				25
Art Club	23	91	(46)		68
Art KAEA All State Compet	75			\$ (75)	-
Athletics, General	7,058	125,283	(143,172)	18,714	7,883
Band	540	20	(560)		-
BETA Club	875	360	(989)		246
Bowling Fund Raising		446	(384)	(40)	22
Boys Golf Fund Raising	545	296	(401)		440
Calculus the Musical 13-1	170			(170)	-
CBI - Community Based Edu	672	597	(837)		432
Cheerleading Fund Raising	246		(1,182)	1,000	64
Choir Club	430	1,374	(1,489)		315
Craft Club		85	(82)	170	173
Dance Team	560			(560)	-
Delicious Writers Schol	139		(139)		-
Dixie's Big Give	1	1,448	(1,449)		-
Donations		1,800	(1,800)		-
Drama Club	5,890	9,022	(9,794)		5,118
Drug Free Club	197	250			447
Environmental Club	141			(141)	-
Faculty	1,385	1,084	(1,853)		616
Faculty Flower Fund	78	358	(340)		96
Fast Pitch Fund Raising	149	311	(604)	144	-
FBLA Club	297	1,061	(1,131)		227
FCCLA		40	(40)		-
FEA Club	6				6
Fees		59,180	(59,180)		-
Football Fund Raising	747	4,601	(5,106)		242
Fuel Up To Play 60 Grant	72				72
German NHS	238		(69)		169
Girls BK Fund Raising	3,987		(3,601)		386
Girls Soccer Fund Raising	3,390		(1,890)		1,500
Ham Radio Tech Club	279				279
Horticulture Club	170			(170)	-

Continued

Kenton County School District
Statement of Revenues, Expenditures and Changes in Fund Balance and Due To Student Groups
Dixie Heights High School - Continued
Year Ended June 30, 2015

Activity	Due To Student Group June 30, 2014	Recpt/JV	Disb/JV	Transfers, Net	Due To Student Group June 30, 2015
IMPACT Club	\$ 3,827	\$ 725	\$ (444)	\$ (350)	\$ 3,758
Janie Fund	335	215	(100)		450
Jr Class Dance/Activities		17,395	(17,465)	70	-
Lacrosse Fund Raising	712		(185)		527
Mock Trial Team		3,439	(3,531)	370	278
NHS Club	5,019	77	(2,907)		2,189
Nurse/Med Aware/Staff/Stu	455		(321)		134
Odyssey of the Mind Team	148	8,373	(7,511)		1,010
Other Athletic Activities		563	(563)		-
Participation Fees Collec	2,555	14,875	(30)	(17,400)	-
S.T.L.P. Club		2,000			2,000
Scott Scholarship		13,013	(13,013)		-
Senior Class	470			(470)	-
Social Norms Club	394		(194)		200
Spanish NHS	108	396	(389)		115
Sr Class Dance/Activities	-	17,900	(18,050)	150	-
Student Council	22,664	14,225	(25,937)	(1,670)	9,282
Student Enrichment	51,328	38,716	(32,116)	3,407	61,335
Student Paths	37	974		(1,011)	-
Students Taking Charge Cl	245				245
Volleyball Fund Raising	426	444	(700)		170
Weight Room Equip	218			(218)	-
Yearbook	3,543			(3,543)	-
Yearbook Club	-	2,075	(666)	1,513	2,922
Youth Service Center	4,687	100	(1,615)	280	3,452
YSC - Day of Play	8		(8)		-
Totals	<u>\$ 126,448</u>	<u>\$ 358,431</u>	<u>\$ (377,588)</u>	<u>\$ -</u>	<u>\$ 107,291</u>

See Independent Auditors' Report

Kenton County School District
Statement of Revenues, Expenditures and Changes in Fund Balance and Due To Student Groups
Scott High School
Year Ended June 30, 2015

Activity	Due To Student Group June 30, 2014	Recpt/JV	Disb/JV	Transfers, Net	Due To Student Group June 30, 2015
ACADEMIC TEAM	\$ 305	\$ 160			\$ 465
ANNUAL	20,624	378	\$ (21,002)		-
AP EXAMS	15,579	50	(15,629)		-
PSAT/PLAN	323		(323)		-
ART	41			\$ (41)	-
ATHLETICS	3,633	112,706	(105,643)	(2,444)	8,252
ATHLETICS/CONCESSION	1,675				1,675
AWARENESS ACCEPTANCE AL.	40				40
BAND	1,232	1,632	(3,797)	1,000	67
BASEBALL	1,525	2,158	(3,683)		-
FASTPITCH	1,258	2,382	(1,680)		1,960
FOOTBALL	19,086	16,567	(31,636)		4,017
BOYS SOCCER	1,031	11,422	(9,145)		3,308
VOLLEYBALL	947	12,058	(14,680)	3,993	2,318
GIRLS SOCCER	4,468	6,940	(9,847)		1,561
BOYS GOLF	1,712		(492)		1,220
CROSS COUNTRY	3,580	5,716	(3,358)		5,938
CHEERLEADING	509	14,360	(11,987)	406	3,288
BOYS BASKETBALL	1		(891)	890	-
WRESTLING	163	5,150	(6,036)	725	2
GIRLS BASKETBALL	3,018	7,751	(6,772)	(3,993)	4
SWIMMING & DIVING	885	2,050	(2,864)	72	143
BOYS TENNIS	377				377
BOYS TRACK	8				8
GIRLS TENNIS	96				96
BOWLING	1,361	1,114	(1,627)		848
GIRLS TRACK	8	734			742
DANCE TEAM	209				209
ARCHERY		938	(298)		640
CLASS OF 2015	6,967	8,162	(15,829)	700	-
CLASS OF 2016	840	14,699	(13,975)	1,390	2,954
CLASS OF 2017	1,333	786	(449)	400	2,070
CLASS OF 2018		748	(138)	1,000	1,610
CBI		874	(874)		-
CREATIVE WRITING CLUB	634				634
CULINARY ARTS CLUB	576	21			597

Continued

Kenton County School District
Statement of Revenues, Expenditures and Changes in Fund Balance and Due To Student Groups
Scott High School - Continued
Year Ended June 30, 2015

Activity	Due To Student Group June 30, 2014	Recpt/JV	Disb/JV	Transfers, Net	Due To Student Group June 30, 2015
DRAMA	\$ 4,089	\$ 6,892	\$ (6,588)		\$ 4,393
FUND 21/ATH. ADMISSIONS		16,895	(16,895)		-
FUND 21/STUDENT FEES		5,624	(5,199)		425
FUND 21/DONATIONS		365	(365)		-
FUND 21/OTHER STUDENT ACT		14,482	(15,087)	\$ 700	95
FUND 21/ATH. OTHER ACTIV.		1,400	(1,400)		-
FAMILY ASSISTANCE	2,276	200	(482)	(90)	1,904
FELLOWSHIP CHRISTIAN STUD	14				14
FLOWER FUND	74	79	(143)		10
FRENCH CLUB	1,210	45	(275)		980
FRENCH HONOR SOCIETY	397	238	(208)		427
GENERAL FUND	4,555		(4,555)		-
GERMAN CLUB	989		(241)		748
GERMAN NATIONAL HONOR SOC	299		(22)		277
COLLEGE & CAREER	268	150	(418)		-
JANIE FUND	291	500	(236)		555
KEY CLUB	313	255		238	806
JUNIOR STATESMEN	3,078	10,424	(11,290)	(238)	1,974
LEARNING LINKS	715		(715)		-
LIBRARY/MEDIA CENTER	732		(732)		-
MATH CLUB	-	55	(40)		15
NATIONAL ART HS	361	15	(15)		361
NATIONAL HONOR SOCIETY	1,025	970	(875)		1,120
NO. KY YOUTH ADVISORY BD.	70	520	(320)		270
PARKING/ASSESSMENT	337		(337)		-
PHILOSOPHY CLUB	7				7
PROFESSIONAL DEVELOPMENT	324		(324)		-
FIELD TRIPS	2,344	1,927	(1,501)	41	2,811
SITE BASED	480		(480)		-
SCOTT STUDENT SUPPORT	4,519	7,212	(12,720)	14,314	13,325
SCOTT SWIMMING POOL	8,858	9,363	(16,776)		1,445
SHS SCHOLARSHIP FUND	21,271	13,013	(12,001)		22,283
SHS TEACHER SCHOLARSHIP	1,229				1,229
SHIRTS FOR STUDENTS	9,636			(9,636)	-
SPANISH CLUB/HONOR SOC.	360	35	(40)		355
SPECIAL ED.FMD	1,612		(1,612)		-

Continued

Kenton County School District
Statement of Revenues, Expenditures and Changes in Fund Balance and Due To Student Groups
Scott High School - Continued
Year Ended June 30, 2015

Activity	Due To Student Group June 30, 2014	Recpt/JV	Disb/JV	Transfers, Net	Due To Student Group June 30, 2015
STRUCTURED TEACHING UNIT	\$ 1,052		\$ (1,052)		-
STUDENT COUNCIL	3,389	\$ 10,602	(5,756)	\$ (5,250)	2,985
STUDENT RECOGNITION	4,678	52	(52)	(4,678)	-
STLP	297				297
TEACHERS' COKE	1,682	106		(1,788)	-
TEACHER SUPPORT	1,720	146	(1,105)	2,289	3,050
TEEN LEADERSHIP CLUB	670		(670)		-
FEES	21,110	100	(21,210)		-
Totals	<u>\$ 200,375</u>	<u>\$ 331,221</u>	<u>\$ (424,392)</u>	<u>\$ -</u>	<u>\$ 107,204</u>

See Independent Auditors' Report

Kenton County School District
Statement of Revenues, Expenditures and Changes in Fund Balance and Due To Student Groups
Simon Kenton High School
Year Ended June 30, 2015

Activity	Due To Student Group June 30, 2014	Recpt/JV	Disb/JV	Transfers, Net	Due To Student Group June 30, 2015
Academic Team	\$ 64	\$ 2,999	\$ (4,525)	\$ 1,462	-
Athletic	20,509	142,684	(163,605)	2,510	\$ 2,098
Spirit Shop	4,372	5,729	(5,355)	120	4,866
Choir Club		225	(132)		93
Senior Class of 2015	1,441	42,325	(47,780)	4,014	
Junior Class of 2016	982	89	(218)		853
Soph Class of 2017	443	3,079	(2,081)	(535)	906
Fresh Class of 2018		164	(288)	535	411
Counseling	1,419	2,342	(3,761)		-
Community Based Class	4,823	1,916	(531)	(40)	6,168
Community Based Transport	462	3,737	(2,882)		1,317
Dance Team	757			(757)	-
Drama Club		5,559	(3,201)	1,000	3,358
Energy Wise	2,961	1,812	(1,996)		2,777
Entrepreneurship	425				425
Farmers Market	533	200	(250)		483
Field Trips	900	11,693	(11,794)	(331)	468
Fine Arts Support Fund	10,000		(1,497)	(1,882)	6,621
Fire Fund	27,000	100			27,100
KCBE Fundraisers		86	(86)		-
World Language Club	19				19
Freshman Academy	946	10,921	(6,387)	(241)	5,239
Pioneer Pride	644	2,633	(1,905)	(71)	1,301
FBLA	770	3,092	(3,770)		92
Fund 21	6,916		(5,916)	(1,000)	-
Future Farmers of America	714	15,487	(15,982)	155	374
General (Faculty Fund)	862	2,987	(1,016)	(49)	2,784
Green Dot	555			(555)	-
Greenhouse	8,835	1,604	(3,332)		7,107
Janie Fund	124	500	(564)		60
NHS	2,333	915	(1,071)	(25)	2,152
Pioneer Publishing	2,041			(1,500)	541
Project Prom		900	(6,751)	6,225	374
Robert Roden Scholarship	900				900
Scholarship	14,263	7,500	(3,450)		18,313
Scott Scholarship	37,391	14,012	(14,000)		37,403

Continued

Kenton County School District
Statement of Revenues, Expenditures and Changes in Fund Balance and Due To Student Groups
Simon Kenton High School - Continued
Year Ended June 30, 2015

Activity	Due To Student Group June 30, 2014	Recpt/JV	Disb/JV	Transfers, Net	Due To Student Group June 30, 2015
School Fees	\$ 6,482	\$ 1,438	\$ (25)		\$ 7,895
Service Learning Event		1,099	(1,099)		-
Homecoming	4,882	10,812	(7,964)	\$ (1,660)	6,070
Summer School	11,334	1,730	(12,447)		617
Student Incentives	13,276	21,388	(12,979)	(10,054)	11,631
AP Testing Fund	27,634	33,592	(31,107)		30,119
Val's VIP's	220	391	(478)	30	163
Yearbook	10,710	1,389	(792)	(4,000)	7,307
Youth Service Center	12,353	2,884	(4,474)	(2,165)	8,598
Archery Team	2,178	6,281	(2,687)	(25)	5,747
Baseball	2,934	29,873	(30,067)		2,740
Bowling Team	4,427	3,172	(1,697)	(25)	5,877
Basketball - Boys	6,525	31,102	(34,450)	(10)	3,167
Basketball - Girls	2,388	14,387	(13,308)	(25)	3,442
Cheerleading		8,643	(6,050)	(1,091)	1,502
Cross Country	40	1,268	(1,211)		97
Dance Team			(108)	757	649
Football	3,727	36,422	(30,876)		9,273
Golf - Boys	128	1,365	(1,553)	60	-
Hall of Fame	16,431	7,335	(6,107)		17,659
Soccer - Boys	24	24,195	(20,489)	(1,136)	2,594
Soccer - Girls	781	8,303	(7,632)	1,136	2,588
Softball		3,270	(3,766)	496	-
Sports Medicine	854	590	(469)		975
Swimming	3,228	2,348	(2,909)		2,667
Tennis - Boys	218			(13)	205
Tennis - Girls	620	1,331	(1,314)	(612)	25
Track - Boys & Girls	532	16,253	(15,466)		1,319
Fund 21-Ath Admissions		12,773	(12,773)		-
Fund 21-Ath Donations		1,200	(1,200)		-
Fund 21-Other Dist/Stu Ac		44,977	(52,649)	9,302	1,630
Fund 21-Other Ath Act		27,277	(27,277)		-
Totals	<u>\$ 286,330</u>	<u>\$ 642,378</u>	<u>\$ (659,549)</u>	<u>-</u>	<u>\$ 269,159</u>

See Independent Auditors' Report

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

KENTON COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2015

	<u>Federal CFDA Number</u>	<u>Through Grantor's Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed through State Department of Education			
<u>Child Nutrition Cluster</u>			
National School Lunch Program	10.555	7750002	\$ 2,334,370
National School Lunch Program - Food Commodities	10.555	7750002	495,360
School Breakfast Program	10.553	7760005	555,797
Summer Food Service Program	10.559	7740023	39,532
			<hr/>
Total Child Nutrition			3,425,059
			<hr/>
Total U.S. Department of Agriculture			3,425,059
			<hr/>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed though Kentucky Department of Education			
<u>Title I Cluster</u>			
Title I Grants to Local Educational Agencies	84.010A	3100002 - 13	391
Title I Grants to Local Educational Agencies	84.010A	3100002 - 14	476,144
Title I Grants to Local Educational Agencies	84.010A	3100002 - 15	1,480,780
			<hr/>
Program Total			1,957,315
			<hr/>
Career and Technical Education - Basic Grants to States (Perkins)	84.048	4621132 - 14	5,501
Career and Technical Education - Basic Grants to States (Perkins)	84.048	4621132 - 15	124,550
			<hr/>
Program Total			130,051
			<hr/>
Title I-D Neglected and Delinquent Children	84.013	3133	11,025
Title I-D Neglected and Delinquent Children	84.013	3134	13,150
Title I-D Neglected and Delinquent Children	84.013	313A	17,887
Title I-D Neglected and Delinquent Children	84.013	313AT	4,313
			<hr/>
Program Total			46,375

Continued

KENTON COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued
June 30, 2015

	<u>Federal CFDA Number</u>	<u>Through Grantor's Number</u>	<u>Federal Expenditures</u>
Special Education Preschool Grants (IDEA Preschool)	84.173A	3800002 -14	25,193
Special Education Preschool Grants (IDEA Preschool)	84.173A	3800002 -15	125,564
Special Education - Grants to States (IDEA, Part B)	84.027A	3810002 - 13	708
Special Education - Grants to States (IDEA, Part B)	84.027A	3810002 - 14	51,871
Special Education - Grants to States (IDEA, Part B)	84.027A	3810002 - 15	<u>2,737,514</u>
Program Total			2,940,850
<u>Title II Cluster</u>			
Improving Teacher Quality State Grants	84.367A	3230002 - 13	3,508
Improving Teacher Quality State Grants	84.367A	3230002 - 14	18,791
Improving Teacher Quality State Grants	84.367A	3230002 - 15	<u>359,034</u>
Program Total			381,333
<u>Title III Cluster</u>			
English Language Acquisition State Grants - Immigrants	84.365A	3300002 - 13	3,902
English Language Acquisition State Grants	84.365A	3300002 - 14	19,181
English Language Acquisition State Grants	84.365A	3300002 - 15	<u>54,493</u>
Program Total			77,576
<u>Norm Reference Testing</u>	84.369	3979	6,756
<u>Race to the Top</u>	84.413	3960002	<u>4,067</u>
Total U.S. Department of Education			<u>5,544,323</u>
Total Expenditures of Federal Awards			<u>\$ 8,969,382</u>

See Notes to Schedule of Expenditures
of Federal Awards and Independent Auditors' Report

KENTON COUNTY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2015

Note A – Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Kenton 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 B – Food Distribution

Nonmonetary assistance is reported in the Schedule at the fair value of the commodities received and disbursed. During the fiscal year ended June 30, 2015 the District received \$495,360 in donated food commodities.

REPORTS REQUIRED BY THE SINGLE AUDIT ACT

**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**



**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**

Members of the Board
Kenton County School District
Fort Wright, 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 Kenton County School District (the "District") as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 13, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 District'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 District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the District.

In addition, the results of our tests disclosed no material instances of noncompliance with specific statutes or regulations identified in the *Kentucky Public School District's Audit Contract and Requirements* prescribed by the Kentucky State Committee for School District Audits.

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

STROTHMAN AND COMPANY

Louisville, Kentucky
November 13, 2015

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



**Independent Auditors' Report on Compliance
for Each Major Program and on Internal Control
Over Compliance Required by OMB Circular A-133**

Members of the Board
Kenton County School District
Fort Wright, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Kenton County School District's (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. The District's major federal programs are identified in the Summary of Audit Results Section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on 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 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.

STROTHMAN AND COMPANY

Louisville, Kentucky
November 13, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Schedule of Findings and Questioned Costs

Kenton County School District

Year Ended June 30, 2015

Section I – Summary of Audit Results

1. The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the Kenton County School District (the "District").
2. No significant deficiencies relating to the audit of the financial statements were reported.
3. No instances of noncompliance material to the financial statements of the District were disclosed during the audit.
4. No significant deficiencies in internal control relating to the audit of the major federal award programs are reported.
5. The auditors' report on compliance for the major federal programs of the District expresses an unmodified opinion.
6. There were no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs include:

<u>Federal Grantor/Program Title</u>	<u>CFDA Number</u>
US Department of Agriculture:	
Passed Through Kentucky Department of Education:	
Special Education Cluster:	
Special Education - Grants to State	84.027
Special Education - Preschool Grants	84.173
Title I Grants to Local Educational Agencies	84.010

8. The threshold used for distinguishing Types A programs was \$300,000.
9. The District qualified to be audited as a low-risk auditee.

Schedule of Findings and Questioned Costs--Continued

Kenton County School District

Year Ended June 30, 2015

Section II--Findings – Financial Statement Audit

There are no findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

Section III--Findings and Questioned Costs – Major Federal Programs Audit

There are no findings or questioned costs related to the major federal programs which are required to be reported in accordance with OMB Circular A-133.

SCHEDULE OF PRIOR AUDIT FINDINGS

Schedule of Prior Audit Findings

Kenton County School District

Year Ended June 30, 2014

Section II--Findings – Financial Statement Audit

There were no findings related to the financial statements which were required to be reported in accordance with *Government Auditing Standards*.

Section III--Findings and Questioned Costs – Major Federal Programs Audit

There were no findings or questioned costs related to the major federal programs which were required to be reported in accordance with OMB Circular A-133.