

LARUE COUNTY SCHOOL DISTRICT
BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND INDEPENDENT AUDITOR'S REPORTS

Year Ended June 30, 2015

LARUE COUNTY SCHOOL DISTRICT

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LARUE COUNTY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*. 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 auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor, considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness on the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Emphasis of Matter

As discussed in Note 1 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standards Board Statement 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, Statement 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* and Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. 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 on pages 4 to 10, budgetary comparison information on pages 45 to 46, schedule of proportionate share of the net pension liability on page 47 and schedule of contributions on page 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the LaRue County School District's basic financial statements. The combining financial statements, school schedules and schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements, school schedules 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 accounting standards generally accepted in the United States of America. In our opinion, the combining financial statements, school schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated September 8, 2015, on our consideration of LaRue County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the 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 LaRue County School District's internal control over financial reporting and compliance.

Stiles, Carter & Associates

Certified Public Accountants
Elizabethtown, Kentucky
September 8, 2015

REQUIRED SUPPLEMENTARY INFORMATION

**LARUE COUNTY SCHOOL DISTRICT – HODGENVILLE, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

The discussion and analysis of LaRue County School District’s financial performance provides an overall review of the School District’s financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to review the School District’s financial performance as a whole. Readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School District’s financial performance.

FINANCIAL HIGHLIGHTS

- The beginning cash balance for the District was \$9.9 million. Ending cash was \$9.7 million.
- During fiscal 2015, the District improved its financial position through an increase of \$436 thousand.
- The General Fund had \$18.7 million in revenue, which primarily consisted of the state program (SEEK), state on-behalf payments for retirement and health insurance and property, utilities, and motor vehicle taxes. Excluding inter-fund transfers, there were \$18.7 million in General Fund expenditures.
- Bonds are issued as the District builds and renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations. The District’s total debt declined by \$1.3 million during the fiscal year.

USING THIS ANNUAL REPORT

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

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

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

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

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

The government-wide financial statements can be found on pages 11 - 12 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. There is a state mandated uniform accounting system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary and fiduciary funds. The proprietary funds are our food service and childcare operations. The fiduciary funds are agency funds and private purpose trust funds. All other activities of the District are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 13 - 21 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22 - 44 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, net position was \$11.4 million as of June 30, 2015.

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

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

**Net Position for the periods ending June 30, 2015 and 2014
(Table 1)**

**(Table 1)
Net Position**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Current and Other Assets	\$ 9,322,364	\$ 9,198,883	\$ 1,141,439	\$ 1,020,855	\$ 10,463,803	\$ 10,219,738
Capital Assets	22,703,944	23,593,777	1,233,783	1,347,079	23,937,727	24,940,856
Total Assets	32,026,308	32,792,660	2,375,222	2,367,934	34,401,530	35,160,594
Deferred Outflows	1,139,007	841,321	54,808	-	1,175,856	841,321
Long-term Debt	21,242,220	19,408,496	415,475	-	21,657,695	19,408,496
Other Liabilities	2,125,468	1,876,100	7,170	7,551	2,132,638	1,883,651
Total Liabilities	23,367,688	21,284,596	422,645	7,551	23,790,333	21,292,147
Deferred Inflows	358,671		46,329		405,000	-
Net Position						
Net invested in capital assets	3,980,970	3,464,476	1,233,783	1,347,079	5,214,753	4,811,555
Restricted	1,760,514	1,541,488	-	-	1,760,514	1,541,488
Unrestricted	3,697,472	7,343,421	727,273	1,013,304	4,424,745	8,356,725
Total Net Position	\$ 9,438,956	\$ 12,349,385	\$ 1,961,056	\$ 2,360,383	\$ 11,400,012	\$ 14,709,768

The following are significant current year transactions that have had an impact on the Statement of Net Position.

The District put in service \$227 thousand in capital assets and paid \$1.3 million in bond principal.

The District adopted GASB statement 68 which resulted in a restatement in beginning net position of \$(3.3) million for governmental activities and \$(426) thousand for business-type activities.

Comments on Budget Comparisons

- The District's total revenues for the fiscal year ended June 30, 2015, net of Interfund transfers, were \$26.7 million.
- General fund budget compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$2.8 million more than budget or approximately 15.9%. This variance was related to state on-behalf payments of approximately \$2 million that exceeded budget.
- The total cost of all programs and services including debt service was \$24.9 million.
- General fund budget expenditures to actual varied significantly in Other Expenses. This resulted from the District not having to spend budgeted contingency funds.

The following Table 2 presents a summary of changes in net position for the fiscal years ended June 30, 2015 and 2014.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
REVENUES:						
Program revenues:						
Charges for services	\$ 45,044	\$ 39,983	\$ 201,155	\$ 198,139	\$ 246,199	\$ 238,122
Operating grants and contributions	8,232,008	5,827,554	1,300,290	1,290,240	9,532,298	7,117,794
Capital grants and contributions	1,682,071	1,690,551	-	-	1,682,071	1,690,551
General revenues:						
Property taxes	2,956,709	2,711,692	-	-	2,956,709	2,711,692
Motor vehicle taxes	485,812	477,223	-	-	485,812	477,223
Utility taxes	767,080	760,978	-	-	767,080	760,978
Investment earnings	106,272	108,702	5,001	4,278	111,273	112,980
State and formula grants	10,824,178	10,653,689	-	-	10,824,178	10,653,689
Gain on equipment disposal		6,121	-	-	-	6,121
Miscellaneous	96,444	122,853	-	-	96,444	122,853
Total revenues	25,195,618	22,399,346	1,506,446	1,492,657	26,702,064	23,892,003
EXPENSES:						
Program Activities:						
Instruction	15,759,281	13,568,274	-	-	15,759,281	13,568,274
Student support	1,134,647	903,632	-	-	1,134,647	903,632
Instructional staff support	2,135,965	1,918,001	-	-	2,135,965	1,918,001
District administrative support	443,437	442,920	-	-	443,437	442,920
School administrative support	1,160,271	1,047,406	-	-	1,160,271	1,047,406
Business support	469,636	379,996	-	-	469,636	379,996
Plant operation and maintenance	1,708,695	1,653,490	-	-	1,708,695	1,653,490
Student transportation	1,254,544	1,383,232	-	-	1,254,544	1,383,232
Community service activities	207,090	204,890	-	-	207,090	204,890
Other	15,164	-	-	-	15,164	-
Interest costs	664,961	707,996	-	-	664,961	707,996
Business-type Activities:						
Food service	-	-	1,257,469	1,316,944	1,257,469	1,316,944
Childcare	-	-	91,660	90,182	91,660	90,182
Total expenses	24,953,691	22,209,837	1,349,129	1,407,126	26,302,820	23,616,963
Increase in net position before extraordinary item and transfers	241,927	189,509	157,317	85,531	399,244	275,040
Transfers	130,212	30,951	(130,212)	(30,951)	-	-
Extraordinary item - KSBIT	37,000	20,706	-	-	37,000	20,706
Increase in net position	\$ 409,139	\$ 241,166	\$ 27,105	\$ 54,580	\$ 436,244	\$ 295,746

Governmental Activities

Instruction comprises 63.5% of governmental program expenses. Support services expenses make up 33% of government expenses. The remaining expense for community services, other items and interest accounts for the remaining 3.5% of total government expense.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

(Table 3)
Governmental Activities Total
Cost of Services

	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Instruction	\$ 15,759,281	\$ 13,568,274	\$ 10,279,029	\$ 9,715,883
Support Services	8,307,195	7,728,677	5,734,585	5,918,421
Community Services	207,090	4,890	(8,287)	-
Facilities acquisition and construction	-	-	(700,298)	(689,367)
Other	15,164	-	6,351	-
Interest costs	664,961	707,996	(316,812)	(293,188)
Total expenses	<u>\$ 24,953,691</u>	<u>\$ 22,009,837</u>	<u>\$ 14,994,568</u>	<u>\$ 14,651,749</u>

Business-Type Activities

The business-type activities include the food service and childcare operations. These programs had total revenues of \$1,506,446 and expenses of \$1,349,129 for fiscal year 2015. Of the revenues, \$201,155 was charges for services, \$1,300,290, was from State and Federal grants and \$5,001 was from investment earnings. The food service fund also transferred \$41,612 for indirect costs to the general fund and \$88,600 for a kitchen project to the construction fund.. Business activities receive no support from tax revenues. The School District will continue to monitor the charges and costs of this activity. If it becomes necessary, the School District will increase the charges for these activities.

The School District's Funds

Information about the School District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$26.9 million and expenditures and other financing uses of \$27.2 million.

General Fund-Budget Highlights

The School 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. The most significant budgeted fund is the General Fund. The State Department of Education requires a zero-based budget with any budgeted remaining fund balance shown as a contingency expense in the budget process.

For the General Fund, revenues were budgeted at \$17.6 million, with actual amounts of \$18.7 million. Budgeted expenditures of \$23.4 million compare with actual expenditures of \$18.7 million. Revenues for state o-behalf funding was more than budgeted. Also, the District did not spent its budgeted contingency.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2015 the School District had \$23.9 million invested in land, buildings, vehicles and equipment and \$22.7 million in governmental activities. Table 4 shows fiscal year 2015 and 2014 balances.

(Table 4)
Capital Assets at June 30, 2015 and 2014
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Land	\$ 600,933	\$ 600,933	\$ -	\$ -	\$ 600,933	\$ 600,933
Construction in progress	37,722	-	-	-	37,722	-
Land improvements	558,991	611,135	-	-	558,991	611,135
Buildings and improvements	20,118,334	20,713,800	732,565	757,669	20,850,899	21,471,469
Technology	130,057	351,055	745	1,867	130,802	352,922
Vehicles	1,041,377	1,058,277	-	-	1,041,377	1,058,277
General equipment	216,530	258,577	500,473	587,543	717,003	846,120
Total	\$ 22,703,944	\$ 23,593,777	\$ 1,233,783	\$ 1,347,079	\$ 23,937,727	\$ 24,940,856

Table 5 shows changes in capital assets for the years ended June 30, 2015 and 2014.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Beginning balance	\$ 23,593,777	\$ 24,548,381	\$ 1,347,079	\$ 1,422,746	\$ 24,940,856	\$ 25,971,127
Additions	227,863	224,042	-	47,833	227,863	271,875
Retirements	(3,241)	(5,488)	(7,111)	(7,545)	(10,352)	(13,033)
Depreciation	(1,114,455)	(1,173,158)	(106,185)	(115,955)	(1,220,640)	(1,289,113)
Ending balance	\$ 22,703,944	\$ 23,593,777	\$ 1,233,783	\$ 1,347,079	\$ 23,937,727	\$ 24,940,856

Debt

At June 30, 2014, the School District had \$18.8 million in bonds outstanding, of this amount \$8.8 million is to be paid from KSFCC funding provided by the State of Kentucky. A total of \$1.3 million is due within one year.

District Challenges for the Future

LaRue County School District's financial status remained relatively the same as last fiscal year.

Our increased costs have in the past been offset due to increased student enrollment producing additional state funding, and continued increases in business and residential property subject to tax within the School District; however, our enrollment is down for the upcoming 2015-2016 fiscal year. The total valuation of real and personal property increased \$33,057,018 but as long as the Board continues to levy the compensating tax rate, only new property generates more tax revenue. This fiscal year a 13.7 million dollar property was added to the taxable assessment and will be paying back taxes for the past 3 years. Our School District, like all Kentucky School Districts, is limited to a 4% annual growth in property tax revenue on existing property. Since 2007 the board has levied the compensating tax rate or less. Many other schools districts in the area and state have levied the 4% rate. Our School District's real estate tax rate for 2014 was ranked 119 of 173 school districts.

Additional factors concerning our School District's financial status include the implementation of various unfunded mandates. Examples include the Flex Fund accounts (Professional Development, Safe Schools, Preschool, Textbooks, and Extended School Services). State funding for these programs does not meet our instructional needs as a District. There, local generated funds will have to address these areas. Also, the uncertainty of state budgeted revenue projections may impact our funding as well as future mandated salary increases for all certified personnel.

The District has made the commitment to have competitive salaries for its teachers. We have raised/adjusted all salary scale categories to be ranked 10th in the state in certified salaries. This will have a re-occurring financial effect, so the district must closely monitor personnel costs.

With careful planning and monitoring of our finances, LaRue County Schools' goal is to continue to provide a quality education for our students and a secure financial future for the School District.

Future Budgetary Implications

In Kentucky, the public schools fiscal year is July 1 - June 30; other programs, i.e. some federal programs operate on a different fiscal calendar, but are reflected in the District overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a budget for 2015-2016 with a 9.91% contingency. Significant Board action that impacts the finances includes pay increases for all employees, additional spending for facility repairs outside of bonded building and renovation projects, and continued funding of Board initiatives.

BASIC FINANCIAL STATEMENTS

LARUE COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2015

Assets	Governmental Activities	Business- Type Activities	Total
Current Assets			
Cash and cash equivalents	\$ 8,718,052	\$ 1,183,219	\$ 9,901,271
Internal balances	69,201	(69,201)	-
Inventory		23,668	23,668
Receivables:			
Accounts		3,753	3,753
Taxes-current	271,513		271,513
Taxes-delinquent	9,655		9,655
Other receivables	11,128		11,128
Intergovernmental-State	24,198		24,198
Intergovernmental-Indirect Federal	218,617		218,617
Total Current Assets	9,322,364	1,141,439	10,463,803
Noncurrent Assets			
Non-depreciable capital assets	638,655		638,655
Capital assets, net of accumulated depreciation	22,065,289	1,233,783	23,299,072
Total Noncurrent Assets	22,703,944	1,233,783	23,937,727
Total Assets	32,026,308	2,375,222	34,401,530
Deferred Outflows of Resources			
Deferred amount on debt refundings	732,904		732,904
CERS pension contributions	406,103	54,808	460,911
Total Deferred Outflows of Resources	1,139,007	54,808	1,193,815
Liabilities			
Current Liabilities			
Accounts payable	438,633	761	439,394
Unearned revenue	50,697	6,409	57,106
Bond obligations	1,340,000		1,340,000
Compensated absences	79,615		79,615
Interest payable	216,523		216,523
Total Current Liabilities	2,125,468	7,170	2,132,638
Noncurrent Liabilities			
Bond obligations	17,477,223		17,477,223
Net pension liability - CERS	3,216,525	415,475	3,632,000
Compensated absences	548,472		548,472
Total Noncurrent Liabilities	21,242,220	415,475	21,657,695
Total Liabilities	23,367,688	422,645	23,790,333
Deferred Inflows of Resources			
CERS net investment difference	358,671	46,329	405,000
Total Deferred Inflows of Resources	358,671	46,329	405,000
Net Position			
Net investment in capital assets	3,980,970	1,233,783	5,214,753
Restricted	1,760,514		1,760,514
Unrestricted	3,697,472	727,273	4,424,745
Total Net Position	\$ 9,438,956	\$ 1,961,056	\$ 11,400,012

The notes to the financial statements are an integral part of this statement.

LARUE COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges For Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction	\$ 15,759,281	\$ 45,044	\$ 5,435,208	\$ -	\$ (10,279,029)	\$ -	\$ (10,279,029)
Support services:							
Student	1,134,647		429,039		(705,608)		(705,608)
Instruction staff	2,135,965		1,372,112		(763,853)		(763,853)
District administrative	443,437		64,943		(378,494)		(378,494)
School administrative	1,160,271		312,178		(848,093)		(848,093)
Business	469,636		102,773		(366,863)		(366,863)
Plant operation and maintenance	1,708,695		107,376		(1,601,319)		(1,601,319)
Student transportation	1,254,544		184,189		(1,070,355)		(1,070,355)
Community service activities	207,090		215,377		8,287		8,287
Facilities acquisition and construction				700,298	700,298		700,298
Other	15,164		8,813		(6,351)		(6,351)
Interest on long-term debt	664,961			981,773	316,812		316,812
Total Governmental Activities	24,953,691	45,044	8,232,008	1,682,071	(14,994,568)	-	(14,994,568)
Business-Type Activities:							
Food service	1,257,469	144,534	1,272,769			159,834	159,834
Childcare	91,660	56,621	27,521			(7,518)	(7,518)
Total Business-Type Activities	1,349,129	201,155	1,300,290	-	-	152,316	152,316
Total Primary Government	\$ 26,302,820	\$ 246,199	\$ 9,532,298	\$ 1,682,071	(14,994,568)	152,316	(14,842,252)
			General Revenues:				
			Taxes:				
			Property taxes		2,956,709		2,956,709
			Motor vehicle taxes		485,812		485,812
			Utility taxes		767,080		767,080
			Investment earnings		106,272	5,001	111,273
			State and formula grants		10,824,178		10,824,178
			Miscellaneous		96,444		96,444
			Transfers		130,212	(130,212)	-
			<i>Extraordinary item - KSBIT</i>		37,000		37,000
			Total general revenues, transfers and extraordinary item		15,403,707	(125,211)	15,278,496
			Change in net position		409,139	27,105	436,244
			Net position - beginning, as previously reported		12,349,385	2,360,383	14,709,768
			Restatement for adoption of GASB 68		(3,319,568)	(426,432)	(3,746,000)
			Net position - beginning, as restated		9,029,817	1,933,951	10,963,768
			Net position - ending		\$ 9,438,956	\$ 1,961,056	\$ 11,400,012

The notes to the financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

LARUE COUNTY SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2015

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and cash equivalents	\$ 7,075,426	\$ 3,289	\$ 1,639,337	\$ 8,718,052
Due from other funds	69,201			69,201
Receivables:				
Taxes - current	89,809			89,809
Taxes - delinquent	9,655			9,655
Other receivables	7,475	2,653	1,000	11,128
Intergovernmental - State		24,198		24,198
Intergovernmental - Indirect Federal		218,617		218,617
Total Assets	\$ 7,251,566	\$ 248,757	\$ 1,640,337	\$ 9,140,660
Liabilities and Fund Balances:				
Liabilities				
Accounts payable	\$ 362,240	\$ 47,877	\$ 28,516	\$ 438,633
Unearned revenue		50,697		50,697
Total Liabilities	362,240	98,574	28,516	489,330
Fund Balances				
Restricted		150,183	1,610,331	1,760,514
Committed	1,111,538		1,490	1,113,028
Unassigned	5,777,788			5,777,788
Total Fund Balances	6,889,326	150,183	1,611,821	8,651,330
Total Liabilities and Fund Balances	\$ 7,251,566	\$ 248,757	\$ 1,640,337	\$ 9,140,660

The notes to the financial statements are an integral part of this statement.

LARUE COUNTY SCHOOL DISTRICT

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION**

June 30, 2015

Total fund balance per fund financial statements	\$ 8,651,330
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.	22,703,944
Certain receivables are not available to pay current expenditures and are not recorded in the funds. The receivables are as follows:	
Property taxes	181,704
Governmental funds record debt refundings as other financing uses when the issues are refunded. Unamortized losses on refundings are reported on the statement of net position as deferred outflows of resources.	732,904
Governmental funds do not record deferred outflows of resources for pension contributions after the measurement date but those are reported on the statement of net position as deferred outflows of resources.	406,103
Governmental funds do not record deferred inflows of resources for changes in the net investment difference but those are reported on the statement of net position as deferred inflows of resources.	(358,671)
Certain liabilities are not reported in this fund financial statement because because they are not due and payable, but they are presented in the statement of net position:	
Bonds payable (net of discounts/premiums)	(18,817,223)
Interest payable	(216,523)
Accrued sick leave	(628,087)
Net pension liability - CERS	<u>(3,216,525)</u>
Net position for governmental activities	<u>\$ 9,438,956</u>

The notes to the financial statements are an integral part of this statement.

LARUE COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

Year Ended June 30, 2015

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
From local sources:				
Taxes:				
Property	\$ 2,423,413	\$ -	\$ 351,592	\$ 2,775,005
Motor vehicle	485,812			485,812
Utilities	767,080			767,080
Tuition and fees	1,030	2,950		3,980
Earnings on investments	76,530	732	29,010	106,272
Other local revenues	140,456	70,271	4,026	214,753
Intergovernmental - State	14,766,341	914,729	1,682,071	17,363,141
Intergovernmental - Indirect Federal	43,364	1,555,586		1,598,950
Total Revenues	18,704,026	2,544,268	2,066,699	23,314,993
Expenditures:				
Instruction	11,679,994	1,563,874	2,229	13,246,097
Support services:				
Student	1,007,673	121,789		1,129,462
Instruction staff	1,035,600	1,109,475		2,145,075
District administrative	476,135			476,135
School administrative	1,160,463	3,109		1,163,572
Business	438,150	27,659		465,809
Plant operation and maintenance	1,673,987	9,848	307	1,684,142
Student transportation	1,219,085	71,341		1,290,426
Community service activities		215,377		215,377
Other non-instruction	6,351	8,813		15,164
Facilities acquisition and construction			37,722	37,722
Bond issuance costs				-
Debt service:				
Principal			1,315,000	1,315,000
Interest			570,572	570,572
Total Expenditures	18,697,438	3,131,285	1,925,830	23,754,553
Excess (Deficit) of Revenues over Expenditures	6,588	(587,017)	140,869	(439,560)
Other Financing Sources (Uses):				
Proceeds from sale of capital assets	3,079			3,079
Transfers in	41,612	578,064	1,177,160	1,796,836
Transfers out	(578,064)		(1,088,560)	(1,666,624)
Total Other Financing Sources (Uses)	(533,373)	578,064	88,600	133,291
Extraordinary item - KSBIT	(36,619)			(36,619)
Net Change in Fund Balances	(563,404)	(8,953)	229,469	(342,888)
Fund Balance, July 1, 2014	7,452,730	159,136	1,382,352	8,994,218
Fund Balance, June 30, 2015	\$ 6,889,326	\$ 150,183	\$ 1,611,821	\$ 8,651,330

The notes to the financial statements are an integral part of this statement.

LARUE COUNTY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

Net change in total fund balances per fund financial statements	\$ (342,888)
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.	(886,592)
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.	1,315,000
Receivables that were recorded as revenues in the statement of activities do not provide current financial resources but are reported as revenues in the funds.	181,704
In the statement of activities, only the gain (loss) on sale of fixed assets is reported, whereas in the governmental funds, the proceeds for the sale increased financial resources.	(3,241)
The difference between actuarial pension contributions to CERS and actual contributions made are recorded as adjustments in the statement of activities.	150,464
Estimated claims that are not mature are not reported in this fund financial statement, but those that are probable and reasonably estimable This item is recorded as extraordinary item in the statement of activities as it is unusual in nature and infrequent in occurrence.	37,000
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.	<u>(42,308)</u>
Change in net position of governmental activities	<u>\$ 409,139</u>

The notes to the financial statements are an integral part of this statement.

LARUE COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2015

	Food Service Fund	Childcare Fund	Total
Assets			
<u>Current Assets</u>			
Cash and cash equivalents	\$ 1,114,345	\$ 68,874	\$ 1,183,219
Accounts receivable	3,753		3,753
Inventory	23,668		23,668
Total Current Assets	1,141,766	68,874	1,210,640
<u>Noncurrent Assets</u>			
Capital assets, net of accumulated depreciation	1,233,783		1,233,783
Total Noncurrent Assets	1,233,783	-	1,233,783
Total Assets	2,375,549	68,874	2,444,423
Deferred Outflows of Resources			
CERS pension contributions	45,748	9,060	54,808
Total Deferred Outflows of Resources	45,748	9,060	54,808
Liabilities			
<u>Current Liabilities</u>			
Due to other funds	69,201		69,201
Accounts payable		761	761
Unearned revenue	6,409		6,409
Total Current Liabilities	75,610	761	76,371
<u>Noncurrent Liabilities</u>			
Net pension liability - CERS	356,655	58,820	415,475
Total Noncurrent Liabilities	356,655	58,820	415,475
Total Liabilities	432,265	59,581	491,846
Deferred Inflows of Resources			
CERS net investment difference	39,770	6,559	46,329
Total Deferred Inflows of Resources	39,770	6,559	46,329
<u>Net Position</u>			
Net investment in capital assets	1,233,783		1,233,783
Unrestricted	715,479	11,794	727,273
Total Net Position	\$ 1,949,262	\$ 11,794	\$ 1,961,056

The notes to the financial statements are an integral part of this statement.

LARUE COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

Year Ended June 30, 2015

	Food Service Fund	Childcare Fund	Total
Operating Revenues:			
Lunchroom sales	\$ 96,502	\$ -	\$ 96,502
Other operating revenues	48,032	56,621	104,653
Total Operating Revenues	144,534	56,621	201,155
Operating Expenses:			
Salaries and wages	480,135	83,223	563,358
Materials and supplies	650,097	7,107	657,204
Depreciation	106,185		106,185
Other operating expenses	13,941	1,330	15,271
Total Operating Expenses	1,250,358	91,660	1,342,018
Operating loss	(1,105,824)	(35,039)	(1,140,863)
Non-Operating Revenues (Expenses):			
Federal grants	1,102,413	4,747	1,107,160
Donated commodities	75,839		75,839
State grants	12,573	9,965	22,538
State on-behalf payments	81,944	12,809	94,753
Gain (loss) on disposal of equipment	(7,111)		(7,111)
Interest income	4,980	21	5,001
Total Non-Operating Revenues (Expenses) Before Transfers	1,270,638	27,542	1,298,180
Transfers out	(130,212)		(130,212)
Changes in net position	34,602	(7,497)	27,105
Net Position, July 1, 2014, as previously reported	2,282,022	78,361	2,360,383
Restatement for adoption of GASB 68	(367,362)	(59,070)	(426,432)
Net Position, July 1, 2014, as restated	1,914,660	19,291	1,933,951
Net Position June 30, 2015	<u>\$ 1,949,262</u>	<u>\$ 11,794</u>	<u>\$ 1,961,056</u>

The notes to the financial statements are an integral part of this statement.

LARUE COUNTY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year Ended June 30, 2015

	Food Service Fund	Childcare Fund	Total
Cash Flows from Operating Activities			
Cash received from:			
Lunchroom sales	\$ 96,934	\$ -	\$ 96,934
Other activities	48,032	56,621	104,653
Cash paid to/for:			
Employees	414,879	73,165	488,044
Supplies	578,960	6,823	585,783
Other activities	13,941	1,330	15,271
Net Cash Used by Operating Activities	(862,814)	(24,697)	(887,511)
Cash flows from Non-Capital Financing Activities			
Federal grants	1,120,029	4,747	1,124,776
State grants	12,573	9,965	22,538
Transfers out	(130,212)		(130,212)
Net Cash Provided by Non-Capital Financing Activities	1,002,390	14,712	1,017,102
Cash Flows from Investing Activities			
Receipt of interest income	4,980	21	5,001
Net increase (decrease) in cash and cash equivalents	144,556	(9,964)	134,592
Balances, beginning of year	969,789	78,838	1,048,627
Balances, end of year	\$ 1,114,345	\$ 68,874	\$ 1,183,219
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ (1,105,824)	\$ (35,039)	\$ (1,140,863)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation	106,185		106,185
State on-behalf payments	81,944	12,809	94,753
Donated commodities	75,839		75,839
GASB 68 pension expense	(16,685)	(2,751)	(19,436)
Change in assets and liabilities:			
Accounts receivable	(232)		(232)
Inventory	18,179		18,179
Accounts payable		284	284
Unearned revenue	(664)		(664)
Due to other funds	(21,556)		(21,556)
Net cash used by operating activities	\$ (862,814)	\$ (24,697)	\$ (887,511)
Schedule of non-cash transactions:			
Donated commodities received from federal government	\$ 75,839	\$ -	\$ 75,839
State on-behalf payments	\$ 81,944	\$ 12,123	\$ 94,067
CERS Pensions	\$ 29,063	\$ 23,967	\$ 53,030

The notes to the financial statements are an integral part of this statement.

LARUE COUNTY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

June 30, 2015

	<u>Private Purpose Trust Funds</u>	<u>Agency Fund</u>
Assets		
Cash and cash equivalents	\$ 22,877	\$ 163,356
Receivables		149
Total Assets	<u>22,877</u>	<u>163,505</u>
Liabilities		
Accounts payable		15,188
Due to student groups		148,317
Total Liabilities	<u>-</u>	<u>163,505</u>
Net Position Held in Trust	<u>\$ 22,877</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

LARUE COUNTY SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

Year Ended June 30, 2015

	Private Purpose Trust Funds
Additions	
Net interest and investment gains (losses)	\$ 105
Contributions	300
	<u>405</u>
Deductions	
Scholarships paid	<u>(1,500)</u>
Change in net position	(1,095)
Net Position, July 1, 2014	<u>23,972</u>
Net Position, June 30, 2015	<u><u>\$ 22,877</u></u>

The notes to the financial statements are an integral part of this statement.

NOTES TO THE BASIC FINANCIAL STATEMENTS

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the LaRue County School District (the "District") have been prepared to conform with Accounting Principles Generally Accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. REPORTING ENTITY

The LaRue County Board of Education ("Board"), a five-member group, is the level of government, which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of LaRue County School District. 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.

For financial reporting purposes, the accompanying financial statements include all of the operations over which the District is financially accountable. The District is financially accountable for organizations that make up its legal entity, as well as legally separate organizations that meet certain criteria. In accordance with GASB 14, "The Financial Reporting Entity," as amended by GASB 39, "Determining Whether Certain Organizations Are Component Units", the criteria for inclusion in the reporting entity involve those cases where the District or its officials appoint a voting majority of an organization's governing body, and is either able to impose its will on the organization or there is a potential for the organization to provide specific financial benefits to or to impose specific financial burdens on the District or the nature and significance of the relationship between the District and the organization is such that exclusion would cause the District's financial statements to be incomplete. Applying this definition, District management has determined that the component unit reportable within the accompanying financial statements is the LaRue County Board of Education Finance Corporation, (the "Corporation"). The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Boosters, Parent-Teacher Associations, etc.

Blended Component Unit – LaRue County School District Finance Corporation – In a prior year, the Board of Education resolved to authorize the establishment of the LaRue County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the "Corporation") as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors. Therefore, the financial activities of the Corporation have been blended (reported as if it were part of the District) with those of the District. The Corporation does not publish individual component unit financial statements.

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds.

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

Fund Financial Statements

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

The Governmental Funds are accounted for on the "flow of current financial resources" measurement focus. This measurement focus is based on the concept of accountability, which includes measuring interperiod equity whether current year revenues were sufficient to pay for current year services. The Proprietary Funds are accounted for on an "economic resources" measurement focus. Accordingly, the Statement of Revenues, Expenses and Changes in Fund Net Position for the Proprietary Funds reports increases and decreases in total economic net worth. The private purpose trust fund is reported using the economic resources measurement focus.

Governmental Funds

Governmental Funds are those through which most District functions are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in the Proprietary Fund and Fiduciary Funds) are accounted for through Governmental Funds. The measurement focus is upon determination of changes in financial resources rather than upon determination of net income.

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

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

- (B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund.
- (C) The District Activity Fund is a Special Revenue Fund type and is used to account for funds received at the school level.
- (D) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).
 - 1. 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.
 - 2. The Facility Support Program of Kentucky (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.
 - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.
- (E) The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal and interest and related costs; and for the payment of interest on notes payable, as required by Kentucky Law.

Proprietary Funds

Proprietary Funds are used to account for ongoing organizations and activities, which are operated and financed in a manner similar to those found in the private sector. The measurement focus is upon the determination of net income. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. Operating expenses include salaries, benefits, supplies and other items. All items not meeting this definition are reported as nonoperating revenues and expenses. The District has two Proprietary Funds.

- (A) The Food Service Fund is used to account for school food service activities, including the National School Lunch and Breakfast Programs, which are conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA and for on-behalf payments for retirement and health insurance paid by the State of Kentucky. This is a major fund..
- (B) The Childcare Fund accounts for the daycare operations of the District. Amounts have been recorded for on-behalf payments for retirement and health insurance paid by the State of Kentucky. This is a major fund.

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the District on behalf of outside related organizations or on behalf of other funds within the District.

- A. The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.
- B. The Private Purpose Trust Funds are used to report trust arrangements under which principal and income benefit individuals, private organizations or other governments. Revenues consist of donations and interest income. Expenditures represent scholarships.

BASIS OF ACCOUNTING

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

Modified Accrual

Under the modified accrual basis, revenues are recognized in the accounting period in which they become susceptible to accrual, i.e., both available and measurable. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Significant revenues susceptible to accrual include ad valorem taxes, reimbursable-type grants and interest on investments. The District considers all revenues (with the exception of the expenditure-driven grants) as available if they are collected within sixty (60) days after year-end. The expenditure driven grants are considered available if received within one year from the balance sheet date. Property tax revenue is recognized when taxes are received, except at year end when revenue is recognized for taxes received by the District within sixty (60) days subsequent to fiscal year end. Expenditures are recognized in the accounting period in which the liability is incurred. However, exceptions include the amount of unmatured principal and interest on general long-term debt, compensated absences, claims and judgments and certain prepaids which are recognized when due/paid.

In applying the susceptible to accrual concept to revenues from Federal and State sources, the legal contractual requirements of the numerous individual programs are used as guidance. Revenue from grants and entitlements is recognized when all eligibility requirements have been satisfied. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before the District will receive any amounts; therefore, revenues are recognized based upon the occurrence of expenditures. In the other type, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed legal and contractual requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met. In all cases, monies received before the revenue recognition criteria have been met are reported as unearned revenue.

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Accrual

Under the accrual basis of accounting, revenues are recognized in the period earned and expenses are recognized in the period incurred.

Revenue Recognition

State Revenue Sources – Revenues from State sources for current operations are primarily from the Support Education Excellence in Kentucky (“SEEK”), administered by the Kentucky Department of Education (“KDE”). The District files reports on average daily attendance (“ADA”) student membership with the KDE. The KDE accumulates information from these reports and calculates the allocation of SEEK funds to the District. After review and verification of ADA reports and supporting documentation, the KDE may adjust subsequent fiscal period allocations of SEEK funding. Normally, such adjustments are treated as reductions of revenue in the year the reduction is made, as amounts are not significant.

Property Taxes – On an accrual basis, property tax revenue anticipated to be collected is recognized in the fiscal year for which it is levied. Delinquent taxes collected in subsequent periods are recognized as revenue during the fiscal year in which they are received.

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

C. BUDGETARY POLICIES

Budgetary Process

Budgetary Basis of Accounting: The District’s budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). 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).

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. All budget appropriations lapse at year-end.

D. ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve a portion of an applicable appropriation, is utilized for budgetary control purposes. Encumbrances are not the equivalent of expenditures, and accordingly, amounts assigned for encumbrances at the governmental fund level indicate that portion of the fund balance segregated for expenditure upon vendor performance.

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

E. CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, cash equivalents are considered to be demand deposits, money market funds, and other investments with an original maturity of 90 days or less.

F. INVENTORIES

Inventories are valued at cost, which approximates market. The food service fund uses the specific identification method and the general fund uses the first-in, first-out method. Inventory. The District's inventories include various items consisting of school supplies, paper, books, maintenance items, transportation items, commodities, etc. USDA commodities received from the Federal government are recorded at the value established by the Federal government using the average cost method.

G. PREPAID ITEMS

Expenditures for insurance and similar services extending over more than one accounting period are not allocated between or among accounting periods in the governmental funds and are instead accounted for as expenditures in the period of acquisition (Purchase method).

H. CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds. All capital assets greater than \$5,000 are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District does not possess any infrastructure. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an assets' life are not. All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	25-50 years
Technology equipment	5 years
Vehicles	5-10 years
General equipment	5-15 years
Food service equipment	5-12 years

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

I. LONG-TERM DEBT

In the fund-level financial statements, governmental funds report the face amount of debt issued, as well as any premiums (discounts) as other financing sources (uses). Debt issuance costs are reported as debt service expenditures. In the government-wide financial statements, long-term debt is reported as liabilities in the statement of net position. Bond premiums/discounts are amortized over the life of the bonds while deferred loss on advance refundings are amortized over the shorter of the remaining life of the refunded bonds or the life of the new bonds both in a systematic and rational method, which approximates the effective-interest method.

J. COMPENSATED ABSENCES

Compensated absences are payments to employees for accumulated sick leave. These amounts also include the related employer's share of applicable taxes and retirement contributions. District employees may accumulate unused sick leave up to a specified amount depending on their date of hire. Sick leave is payable to employees upon termination or retirement at 30% of the current rate of pay on the date of termination or retirement. The District uses the termination method to calculate the compensated absences amounts. The entire compensated absence liability is reported on the government-wide financial statements. The current portion is the amount estimated to be used in the following year. An expenditure is recognized in the governmental fund as payments come due each period, for example, as a result of employee resignations and retirements. Compensated absences not recorded at the fund level represent a reconciling item between the fund level and government-wide presentations.

K. ACCOUNTING ESTIMATES

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

L. IMPACT OF RECENTLY ISSUED ACCOUNTING PRINCIPLES

Recently Issued And Adopted Accounting Principles

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27*. GASB 68, as amended by GASB 71 addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, the Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This statement was adopted during the fiscal year ended June 30, 2015 and required a restatement to net position for governmental activities, the food service fund and the daycare fund.

In March 2014, the GASB issued Statement 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. GASB 70 requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This statement was adopted during the fiscal year ended June 30, 2015 and did not have an impact on the District's financial statements.

Recently Issued Accounting Pronouncements

In January 2014, the GASB issued Statement 69, *Government Combinations and Disposals of Government Operations*. GASB 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This statement is effective for periods beginning after December 15, 2014. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In February 2015, the GASB issued Statement 72, *Fair Value Measurement and Application*. GASB 69 establishes accounting and financial reporting standards related to fair value measurements. This statement is effective for periods beginning after June 15, 2015. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In June 2015, the GASB issued Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement is effective for periods beginning after June 15, 2016. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In June 2015, the GASB issued Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement is effective for periods beginning after June 15, 2016. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In June 2015, the GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement is effective for periods beginning after June 15, 2017. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

In June 2015, the GASB issued Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement is effective for periods beginning after June 15, 2015. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In August 2015, the GASB issued Statement 77, *Tax Abatement Disclosures*. This statement is effective for periods beginning after December 15, 2015. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

NOTE 2 – PROPERTY TAXES

Property Tax Revenues – Property taxes are normally 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 usual collection date is the period from November 1 through December 31. Property tax bills paid prior to December 1 receive a two percent discount. Property taxes received after December 31, are considered to be delinquent and the County Attorney can file a lien against the property. The property tax rates assessed for the year ended June 30, 2015, to finance operations were \$.454 per \$100 valuation for real property, \$.455 per \$100 valuation for business personal property and \$.552 per \$100 valuation for motor vehicles.

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

NOTE 3 – DEPOSITS

Deposits

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy is to have all deposits secured by pledged securities. At June 30, 2015, \$8,631,518 of the District's bank balance of \$8,881,518 was exposed to custodial credit risk. The bank balance not covered by depository insurance was collateralized by securities held by the pledging financial institution.

NOTE 4 – INTERFUND ACTIVITIES

The following transfers were made during the year:

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Special Revenue	Technology Match	\$ 53,203
General	Special Revenue	Laptop Initiative	524,861
Nonmajor Governmental	Nonmajor Governmental	Debt Service	837,776
Nonmajor Governmental	Nonmajor Governmental	Construction	250,784
Food Service	Nonmajor Governmental	Construction	88,600
Food Service	General	Indirect Costs	41,612

Also, at June 30, 2015, the Food Service Fund owed the General Fund \$69,201 for items paid by the General Fund.

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

NOTE 5 - CAPITAL ASSETS

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

Governmental Activities	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Capital Assets Not Being Depreciated:				
Land	\$ 600,933	\$ -	\$ -	\$ 600,933
Construction in progress	-	37,722		37,722
Total Capital Assets Not Being Depreciated	600,933	37,722	-	638,655
Depreciable Assets:				
Land improvements	1,759,626			1,759,626
Buildings and improvements	29,246,195			29,246,195
Technology equipment	2,628,169	9,101	(7,634)	2,629,636
Vehicles	2,971,718	181,040	(49,497)	3,103,261
General equipment	1,122,579		(1,298)	1,121,281
Total Capital Assets Being Depreciated at Historical Cost	37,728,287	190,141	(58,429)	37,859,999
Less Accumulated Depreciation For:				
Land improvements	1,148,491	52,144		1,200,635
Buildings and improvements	8,532,395	595,466		9,127,861
Technology equipment	2,277,114	227,363	(4,898)	2,499,579
Vehicles	1,913,441	197,940	(49,497)	2,061,884
General equipment	864,002	41,542	(793)	904,751
Total accumulated depreciation	14,735,443	1,114,455	(55,188)	15,794,710
Total Other Capital Assets, net	22,992,844	(924,314)	(3,241)	22,065,289
Governmental Activities Capital Assets - Net	\$ 23,593,777	\$ (886,592)	\$ (3,241)	\$ 22,703,944
Business-Type Activities				
Depreciable Assets:				
Buildings and improvements	\$ 1,255,218	\$ -	\$ -	\$ 1,255,218
Technology equipment	15,321		(3,712)	11,609
Food service equipment	1,138,602		(22,684)	1,115,918
Total Capital Assets Being Depreciated at Historical Cost	2,409,141	-	(26,396)	2,382,745
Less Accumulated Depreciation For:				
Buildings and improvements	497,549	25,104		522,653
Technology equipment	13,454	873	(3,463)	10,864
Food service equipment	551,059	80,208	(15,822)	615,445
Total accumulated depreciation	1,062,062	106,185	(19,285)	1,148,962
Business-Type Activities Capital Assets - Net	\$ 1,347,079	\$ (106,185)	\$ (7,111)	\$ 1,233,783

Depreciation was charged to governmental functions as follows:

Instruction	\$ 820,451
Student support	6,844
Instructional staff	5,260
District administration	20,587
School administration	11,744
Business support	12,773
Plant	52,884
Transportation	183,912
	<u>\$ 1,114,455</u>

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE 6 – 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 purchases commercial insurance.

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

NOTE 7 – LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2015, is as follows:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Amounts Due Within One Year
Governmental Activities:					
Bonds Payable:					
Revenue bonds	\$ 20,155,000	\$ -	\$ 1,315,000	\$ 18,840,000	\$ 1,340,000
Less Premium (Discount)	(25,699)		2,922	(22,777)	-
Total Bonds Payable	20,129,301	-	1,317,922	18,817,223	1,340,000
Other Liabilities:					
KSBIT	37,000		37,000	-	
Net pension liability - CERS		3,216,525		3,216,525	
Compensated absences	680,157	13,485	65,555	628,087	79,615
Total Other Liabilities	717,157	3,230,010	102,555	3,844,612	79,615
Total Governmental Activities Long-Term Liabilities	<u>\$ 20,846,458</u>	<u>\$ 3,230,010</u>	<u>\$ 1,420,477</u>	<u>\$ 22,661,835</u>	<u>\$ 1,419,615</u>
	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Amounts Due Within One Year
Business Type Activities:					
Net pension liability - CERS	<u>\$ -</u>	<u>\$ 415,475</u>	<u>\$ -</u>	<u>\$ 415,475</u>	<u>\$ -</u>

The debt service fund is primarily responsible for paying the bond obligations through funding from the capital outlay and FSPK funds. The general fund is primarily responsible for paying compensated absences and KSBIT. The general fund, food service fund, and childcare fund are primarily responsible for paying the net pension liability.

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE 7 – LONG-TERM LIABILITIES – CONTINUED

Bond Liabilities

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

<u>Issue Date</u>	<u>Proceeds</u>	<u>Interest Rates</u>
2006	\$ 10,725,000	4.0% - 4.5%
2007 Urgent Needs	500,000	4.0%
2007 Refunding	945,000	3.3% - 3.7%
2008	1,280,000	3.0% - 4.92%
2008 QZAB	1,000,000	0%
2009 Refunding	2,120,000	1.5% - 3.0%
2010 Refunding	7,395,000	1.0% - 3.625%
2013 Refunding	5,930,000	2.0% - 2.5%

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the LaRue County School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

The District has "participation agreements" with the Kentucky School Facilities Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission 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 outstanding has been recorded in the financial statements.

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE 7 – LONG-TERM LIABILITIES – CONTINUED

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Participation</u>	<u>District's Portion</u>
2016	\$ 1,340,000	\$ 529,181	\$ 975,913	\$ 893,268
2017	1,400,000	484,181	980,197	903,984
2018	1,380,000	437,970	965,013	852,957
2019	1,395,000	391,995	918,522	868,473
2020	1,445,000	345,096	917,524	872,572
2021-2025	8,120,000	1,125,745	3,973,762	5,271,983
2026-2029	3,760,000	205,488	1,479,017	2,486,471
	<u>\$ 18,840,000</u>	<u>\$ 3,519,656</u>	<u>\$ 10,209,948</u>	<u>\$ 12,149,708</u>

NOTE 8 – PENSION PLANS

Plan Descriptions

The LaRue County School District participates in the Teachers' Retirement System of the State of Kentucky (KTRS), a component unit of the Commonwealth of Kentucky which includes certified employees and the County Employees' Retirement System (CERS), a component unit of the Commonwealth of Kentucky which includes all other employees, both of which are cost-sharing multiple-employer defined benefit plans. KTRS, which qualifies as a special funding situation under GASB 68, and CERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. KTRS is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). Under the provisions of KRS Section 61.645, the Board of Trustees of Kentucky Retirement Systems (KERS) administers the CERS. The KTRS and CERS issue a publicly available financial reports that include financial statements and required supplementary information. KTRS' report may be obtained at www.ktrs.ky.gov. CERS' report may be obtained at www.kyret.ky.gov.

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE 8 – PENSION PLANS – CONTINUED

KTRS

Benefits Provided

For Members Before July 1, 2008:

Members become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

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

Non-university members receive monthly payments equal to two percent (2%) (service prior to July 1, 1983) and two and one-half percent (2.5%) (service after July 1, 1983) of their final average salaries for each year of credited service. Non-university members who became members on or after July 1, 2002 will receive monthly benefits equal to two percent (2%) of their final average salary for each year of service if, upon retirement, their total service is less than ten (10) years. New members after July 1, 2002 who retire with ten (10) or more years of total service will receive monthly benefits equal to two and one-half percent (2.5%) of their final average salary for each year of service, including the first ten (10) years. In addition, non-university members who retire July 1, 2004 and later with more than thirty (30) years of service will have their multiplier increased for all years over thirty (30) from two and one-half percent (2.5%) to three percent (3%) to be used in their benefit calculation.

University employees receive monthly benefits equal to two percent (2%) of their final average salary for each year of credited service.

The final average salary is the member's five (5) highest annual salaries except members at least age fifty-five (55) with twenty-seven (27) or more years of service may use their three (3) highest annual salaries. For all members, the annual allowance is reduced by 5% per year from the earlier of age 60 or the date the member would have completed 27 years of service. The minimum annual service allowance for all members is \$440 multiplied by credited service.

For Members On or After July 1, 2008:

Members become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

- 1.) Attain age sixty (60) and complete five (5) years of Kentucky service, or
- 2.) Complete twenty-seven (27) years of Kentucky service, or
- 3.) Attain age fifty-five (55) and complete ten (10) years of Kentucky service.

The annual retirement allowance for non-university members is equal to: (a) one and seven tenths percent (1.7%) of final average salary for each year of credited service if their service is 10 years or less; (b) two percent (2.0%) of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) two and three tenths percent (2.3%) of final average salary for each year of credited service if their service is greater than 20 years but no more than 26 years; (d) two and one half percent (2.5%) of final average salary for each year of credited service if their service is greater than 26 years but no more than 30 years; (e) three percent (3.0%) of final average salary for years of credited service greater than 30 years.

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE 8 – PENSION PLANS – CONTINUED

The annual retirement allowance for university members is equal to: (a) one and one-half percent (1.5%) of final average salary for each year of credited service if their service is 10 years or less; (b) one and seven tenths percent (1.7%) of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) one and eighty five hundredths percent (1.85%) of final average salary for each year of credited service if their service is greater than 20 years but less than 27 years; (d) two percent (2.0%) of final average salary for each year of credited service if their service is greater than or equal to 27 years.

The final average salary is the member's five (5) highest annual salaries except members at least age fifty-five (55) with twenty-seven (27) or more years of service may use their three (3) highest annual salaries. For all members, the annual allowance is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 27 years of service.

Other Benefits:

The System provides post-employment medical benefits to retirees. The System also provides disability benefits for vested members at the rate of sixty percent (60%) of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing members and \$5,000 for retired or disabled members. Cost of living increases are one and one-half percent (1.5%) 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. The State contributes 100 percent of school districts' contractually required contributions, which are actuarially determined. Employees are required to contribute 12.105 percent of their annual salary. The school districts' contractually required contribution rate for the year ended June 30, 2015, was 13.105 percent of salaries for members in the plan before July 1, 2008 and 14.105 percent of salaries for members who started their account after June 30, 2008. The District made no contributions to the pension plan for the year ended June 30, 2015.

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

At June 30, 2015, the District reported no net pension liability because it did not have a proportionate share of the net pension liability. There was no amount recognized by the District as its proportionate share of the net pension liability. The related State share of the net pension liability was \$68,229,782.

The net pension liability 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 of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2014, the District's proportion was 0 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$3,343,398 and revenue of \$3,343,398 for support provided by the State. At June 30, 2015, the District reported no deferred outflows of resources and no deferred inflows of resources related to KTRS.

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE 8 – PENSION PLANS – CONTINUED

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

Inflation	3.50 percent
Salary increases	4.00 – 8.20 percent, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

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 set back of 1 year for females.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2010.

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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	45%	6.4%
Non U.S. Equity	17%	6.5%
Fixed Income	24%	1.6%
High Yield Bonds	4%	3.1%
Real Estate	4%	5.8%
Alternatives	4%	6.8%
Cash	2%	1.5%
Total	<u>100%</u>	

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE 8 – PENSION PLANS – CONTINUED

Discount Rate

The discount rate used to measure the total pension liability as of the Measurement Date was 5.23%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67. It was assumed that Plan member contributions will be made at the current contribution rates and that 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 members until the 2036 plan year and, as a result, the Municipal Bond Index Rate was used in the determination of the single equivalent interest rate (SEIR). On the Prior Measurement Date, the long-term expected rate of return of 7.50% on Plan investments was applied to periods before 2036 and the Municipal Bond Index Rate of 4.27% was applied to periods on or after 2036, resulting in an SEIR of 5.16%. There was a change in the Municipal Bond Index Rate from the Prior Measurement Date to the Measurement Date, so as required under GASB 68, the SEIR at the Measurement Date of 5.23% was calculated using the Municipal Bond Index Rate as of the Measurement Date (4.35%). This change in the discount rate is considered a change in actuarial assumptions under GASB 68.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued KTRS financial report.

CERS

Benefits Provided

The system provides for retirement, disability, and death benefits to system members. Retirement benefits may be extended to beneficiaries of members under certain circumstances. Prior to July 1, 2009, cost-of-living adjustments (COLA) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. On July 1, 2013, the COLA was not granted. Effective July 1, 2009, and on July 1 of each year thereafter through June 30, 2015, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce the COLA if, in its judgment, the welfare of the Commonwealth so demands.

Contributions

For the fiscal year ended June 30, 2015, plan members who began participating prior to September 1, 2008, were required to contribute 5% of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. The school districts' contractually required contribution rate for the year ended June 30, 2015, was 17.67 percent of annual creditable compensation. Contributions to the pension plan from the District were \$460,911.

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE 8 – PENSION PLANS – CONTINUED

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 of \$3,632,000 for its proportionate share of the net pension liability. The net pension liability 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 was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2014, the District's proportion was 0.111953 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$291,000. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources: (1) Deferred outflows of resources for District contributions subsequent to the measurement date of \$460,911 and (2) Deferred inflows of resources for differences between expected and actual experience of \$405,000. The amount reported as deferred outflows for District contributions subsequent to the measurement date of \$460,911 will be recognized as a reduction of the net pension liability in the year ending June 30, 2016.

Actuarial Assumptions

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

Inflation	3.50 percent
Salary increases	4.5 percent, average, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other members. The Group Annuity Mortality Table set forward five years is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2008.

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE 8 – PENSION PLANS – CONTINUED

The long-term expected return on pension plan investments is reviewed as part of the regular experience studies prepared every five years for KRS. 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 lognormal 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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	30%	8.45%
International Equity	22%	8.85%
Emerging Market Equity	5%	10.50%
Private Equity	7%	11.25%
Real Estate	5%	7.00%
Core US Fixed Income	10%	5.25%
High Yield US Fixed Income	5%	7.25%
Non-US Fixed Income	5%	5.50%
Commodities	5%	7.75%
TIPS	5%	5.00%
Cash	1%	3.25%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability as of the Measurement Date was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members 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 assumed investment rate of return was applied to all periods of projected of benefit payments to determine the total pension liability.

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE 8 – PENSION PLANS – CONTINUED

Sensitivity Of The District's Proportionate Share Of The Net Pension Liability To Changes In The Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	4,780,000	3,632,000	2,618,000

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report.

DEFERRED COMPENSATION

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Sections 457, 401(k) and 403(b). The Plans, available to all employees, permits them to defer a portion of their salary until future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, allows entities with little or no administrative involvement who do not perform the investing function for these plans to omit plan assets and related liabilities from their financial statements. The District, therefore, does not show these assets and liabilities on these financial statements.

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE 9 – FUND BALANCES

Nonspendable fund balances are those that cannot be spent on future obligations. At June 30, 2015, there were no nonspendable fund balances

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2015, the District had \$150,183 restricted for grants in the special revenue fund, \$653,825 restricted for capital projects in the SEEK Capital Outlay Fund, \$66,451 restricted for capital projects in the FSPK Fund, \$462,044 restricted for capital projects in the Construction Fund and \$428,011 restricted for debt service in the debt service fund.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District had the following commitments at June 30, 2015 in the General Fund - \$761,538 for debt service (a certificate of deposit to be used to retire the QZAB bonds), \$250,000 for future construction and \$100,000 for sick leave and \$1,490 in the District Activity Fund for use for school activities.

Assigned fund balances are those amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrance of funds. Assigned fund balance also includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose. There were no assigned fund balances at June 30, 2015.

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

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

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE 10 – COMMITMENTS AND CONTINGENCIES

The District receives funding from Federal, State and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor's review, the funds are considered not to have 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 their programs.

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

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

On January 14, 2013 the District was notified that in order to settle outstanding claims and deficits of the Kentucky School Boards Insurance Trust (KSBIT), a non-profit self-insured pool, an assessment would be made to present and prior insurance trust members. On June 26, 2013, members were notified that the KSBIT board voted on June 24, 2013 to submit a plan for the assessment to the Kentucky Department of Insurance in favor of a novation option, under which a highly rated reinsurer would assume all of the liabilities of KSBIT and its members for claims for a set amount. The option resulted in an estimated liability for the District of \$57,706. In August 2014, the District received an invoice for \$36,619 which was the amount expected to satisfy the claim. This amount was paid during the fiscal year. This amount was recorded as a current liability in the Statement of Net Position at June 30, 2014 as it was expected to be paid by June 30, 2015; however, it was not due at June 30, 2014, for the fund financial statements and was recorded in the fund financial statements during the fiscal year. The item is also an extraordinary item in the Statement of Activities because the item is unusual in nature and infrequent in occurrence.

NOTE 11 – DEFICIT OPERATING BALANCES

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

General Fund	\$	563,404
Special Revenue Fund		8,953
Capital Outlay Fund		39,600
Debt Service Fund		47,445
Childcare Fund		7,497

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE 12 – ON-BEHALF PAYMENTS

The District receives on-behalf payments from the Commonwealth of Kentucky for items including pension, technology, health care costs, operating costs and debt service. The amounts received and funds where these items were recorded for the fiscal year ended June 30, 2015 were as follows:

Health	\$ 2,370,964
Life	4,048
Admin	27,822
HRA	95,463
KTRS	1,607,858
Technology	60,563
Debt Service	981,773
Less: Federal Reimbursement	<u>(129,802)</u>
Total on-behalf	<u>\$ 5,018,689</u>

Recorded as follows:

General Fund	\$ 3,942,163
Food Service Fund	81,944
Childcare Fund	12,809
Debt Service Fund	<u>981,773</u>
	<u>\$ 5,018,689</u>

REQUIRED SUPPLEMENTARY INFORMATION

LARUE COUNTY SCHOOL DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL**

GENERAL FUND

Year Ended June 30, 2015

	<u>Original</u>	<u>Final</u>	<u>Actual</u>
Revenues:			
From local sources:			
Taxes:			
Property	\$ 2,040,000	\$ 2,210,000	\$ 2,423,413
Motor vehicle	410,000	410,000	485,812
Utilities	600,000	600,000	767,080
Tuition and fees			1,030
Earnings on investments	35,000	35,000	76,530
Other local revenues	14,000	36,000	140,456
Intergovernmental - State	14,032,607	14,312,343	14,766,341
Intergovernmental - Indirect Federal	1,000	1,000	43,364
Total Revenues	<u>17,132,607</u>	<u>17,604,343</u>	<u>18,704,026</u>
Expenditures:			
Instruction	12,379,932	12,321,763	11,679,994
Support services:			
Student	933,717	918,335	1,007,673
Instruction staff	986,234	997,093	1,035,600
District administrative	880,367	959,932	476,135
School administrative	1,051,134	1,038,774	1,160,463
Business	455,778	456,428	438,150
Plant operation and maintenance	2,451,513	2,496,775	1,673,987
Student transportation	1,694,825	1,695,475	1,219,085
Facilities acquisition and construction	25,000	25,000	
Other non-instruction	1,204,092	2,574,577	6,351
Total Expenditures	<u>22,062,592</u>	<u>23,484,152</u>	<u>18,697,438</u>
Excess (Deficit) of Revenues over Expenditures	(4,929,985)	(5,879,809)	6,588
Other Financing Sources (Uses):			
Proceeds from sale of capital assets			3,079
Transfers in	36,436	41,218	41,612
Transfers out	(55,000)	(53,203)	(578,064)
Total Other Financing Sources (Uses)	<u>(18,564)</u>	<u>(11,985)</u>	<u>(533,373)</u>
Extraordinary item - KSBIT	<u>(61,451)</u>	<u>(61,451)</u>	<u>(36,619)</u>
Net Change in Fund Balances	(5,010,000)	(5,953,245)	(563,404)
Fund Balance, July 1, 2014	<u>5,010,000</u>	<u>5,953,245</u>	<u>7,452,730</u>
Fund Balance, June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,889,326</u>

LARUE COUNTY SCHOOL DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL**

SPECIAL REVENUE FUND

Year

	<u>Original</u>	<u>Final</u>	<u>Actual</u>
Revenues:			
Tuition and fees	\$ -	\$ -	\$ 2,950
Earnings on investments		266	732
Other local revenues	17,000	25,300	70,271
Intergovernmental - State	884,833	920,497	914,729
Intergovernmental - Indirect Federal	1,419,836	1,531,372	1,555,586
Total Revenues	<u>2,321,669</u>	<u>2,477,435</u>	<u>2,544,268</u>
Expenditures:			
Instruction	1,326,350	1,446,776	1,563,874
Support services:			
Student	121,429	108,176	121,789
Instruction staff	673,394	674,026	1,109,475
District administrative		4,953	3,109
School administrative			27,659
Business		3,400	9,848
Plant operation and maintenance		73,214	71,341
Student transportation	71,094	212,593	215,377
Community service activities	184,402	7,500	8,813
Other			
Total Expenditures	<u>2,376,669</u>	<u>2,530,638</u>	<u>3,131,285</u>
Excess (Deficit) of Revenues over Expenditures	(55,000)	(53,203)	(587,017)
Other Financing Sources (Uses):			
Transfers in	55,000	53,203	578,064
Total Other Financing Sources (Uses)	<u>55,000</u>	<u>53,203</u>	<u>578,064</u>
Net Change in Fund Balances	-	-	(8,953)
Fund Balance, July 1, 2014	<u>-</u>	<u>-</u>	<u>159,136</u>
Fund Balance, June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 150,183</u>

LARUE COUNTY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE CERS NET PENSION LIABILITY

June 30, 2015

Last 10 Years *

	<u>2015</u>
Proportion of the net pension liability	0.111953%
Proportionate share of the net pension liability	\$ 3,632,000
Covered - employee payroll	\$ 2,590,463
Proportionate share of the net pension liability as percentage of covered payroll	140.2%
Plan fiduciary net position as a percentage of the total pension liability	66.80%

* Fiscal year 2015 was the first year of implementation, therefore, only one year is shown.

LARUE COUNTY SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS TO CERS

June 30, 2015

Last 10 Years *

	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 460,911
Contribution in relation to the actuarially determined contributions	<u>460,911</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered employee payroll	\$ 2,608,438
Contributions as a percentage of covered employee payroll	17.67%

* Fiscal year 2015 was the first year of implementation, therefore, only one year is shown.

LARUE COUNTY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2015

Changes of benefit terms. There were no changes in benefit terms.

Changes of assumptions. There were no changes in assumptions.

SUPPLEMENTARY INFORMATION

LARUE COUNTY SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2015

	District Activity Fund	SEEK Capital Outlay Fund	FSPK Fund	Construction Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Assets:						
Cash and cash equivalents	\$ 568	\$ 653,825	\$ 66,451	\$ 490,482	\$ 428,011	\$ 1,639,337
Receivables - other	1,000					1,000
Total Assets	<u>\$ 1,568</u>	<u>\$ 653,825</u>	<u>\$ 66,451</u>	<u>\$ 490,482</u>	<u>\$ 428,011</u>	<u>\$ 1,640,337</u>
Liabilities and Fund Balances:						
Liabilities						
Accounts payable	\$ 78	\$ -	\$ -	\$ 28,438	\$ -	\$ 28,516
Total Liabilities	<u>78</u>	<u>-</u>	<u>-</u>	<u>28,438</u>	<u>-</u>	<u>28,516</u>
Fund Balances						
Restricted		653,825	66,451	462,044	428,011	1,610,331
Committed	1,490					1,490
Total Fund Balances	<u>1,490</u>	<u>653,825</u>	<u>66,451</u>	<u>462,044</u>	<u>428,011</u>	<u>1,611,821</u>
Total Liabilities and Fund Balances	<u>\$ 1,568</u>	<u>\$ 653,825</u>	<u>\$ 66,451</u>	<u>\$ 490,482</u>	<u>\$ 428,011</u>	<u>\$ 1,640,337</u>

LARUE COUNTY SCHOOL DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**

Year Ended June 30, 2015

	District Activity Fund	SEEK Capital Outlay Fund	FSPK Fund	Construction Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues						
From local sources:						
Property taxes	\$ -	\$ -	\$ 351,592	\$ -	\$ -	\$ 351,592
Earnings on investments		2,714	328	7,390	18,578	29,010
Other local revenue	4,026					4,026
Intergovernmental - State		221,684	478,614		981,773	1,682,071
Total Revenues	4,026	224,398	830,534	7,390	1,000,351	2,066,699
Expenditures						
Instruction	2,229					2,229
Support services:						
Plant operation and maintenance	307					307
Facilities acquisition and construction				37,722		37,722
Debt service:						
Principal					1,315,000	1,315,000
Interest					570,572	570,572
Total Expenditures	2,536	-	-	37,722	1,885,572	1,925,830
Excess (Deficit) of Revenues over Expenditures	1,490	224,398	830,534	(30,332)	(885,221)	140,869
Other Financing Sources (Uses)						
Transfers in				339,384	837,776	1,177,160
Transfers out		(263,998)	(824,562)			(1,088,560)
Total Other Financing Sources (Uses)	-	(263,998)	(824,562)	339,384	837,776	88,600
Net Change in Fund Balances	1,490	(39,600)	5,972	309,052	(47,445)	229,469
Fund balance, July 1, 2014		693,425	60,479	152,992	475,456	1,382,352
Fund balance, June 30, 2015	\$ 1,490	\$ 653,825	\$ 66,451	\$ 462,044	\$ 428,011	\$ 1,611,821

LARUE COUNTY SCHOOL DISTRICT

COMBINING STATEMENT OF FIDUCIARY NET POSITION

AGENCY FUNDS

June 30, 2015

	Abraham Lincoln Elementary School	Hodgenville Elementary	Larue County Middle School	Larue County High School	Total Agency Fund
Assets					
Cash and cash equivalents	\$ 27,845	\$ 20,693	\$ 34,669	\$ 80,149	\$ 163,356
Receivables	-	-	-	149	149
Total Assets	<u>\$ 27,845</u>	<u>\$ 20,693</u>	<u>\$ 34,669</u>	<u>\$ 80,298</u>	<u>\$ 163,505</u>
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ 15,188	\$ 15,188
Due to student groups	27,845	20,693	34,669	65,110	148,317
Total Liabilities	<u>\$ 27,845</u>	<u>\$ 20,693</u>	<u>\$ 34,669</u>	<u>\$ 80,298</u>	<u>\$ 163,505</u>

LARUE COUNTY SCHOOL DISTRICT

SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES

AGENCY FUNDS

June 30, 2015

SCHOOL	CASH	RECEIPTS	DISBURSE- MENTS	CASH	RECEIVABLES	ACCOUNTS PAYABLE	DUE TO
	BALANCE July 1, 2014			BALANCE June 30, 2015			June 30, 2015
Larue County High	\$ 59,334	\$ 283,506	\$ 262,691	\$ 80,149	\$ 149	\$ 15,188	\$ 65,110
Larue County Middle	34,305	103,967	103,603	34,669			34,669
Hodgenville Elementary	26,173	32,436	37,916	20,693			20,693
Abraham Lincoln Elementary	27,947	28,453	28,555	27,845			27,845
Total	<u>\$ 147,759</u>	<u>\$ 448,362</u>	<u>\$ 432,765</u>	<u>\$ 163,356</u>	<u>\$ 149</u>	<u>\$ 15,188</u>	<u>\$ 148,317</u>

LARUE COUNTY SCHOOL DISTRICT

SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES

LARUE COUNTY HIGH SCHOOL

YEAR ENDED JUNE 30, 2015

NAME OF ACTIVITY	CASH BALANCE July 1, 2014	RECEIPTS	DISBURSE- MENTS	CASH BALANCE June 30, 2015	RECEIVABLES June 30, 2015	ACCOUNTS PAYABLE June 30, 2015	DUE TO STUDENT GROUPS June 30, 2015
Academic	\$ -			\$ -	\$ -	\$ -	\$ -
ACT- FRYSC	665			665	-	-	665
Adventure Club	236			236	-	-	236
Agriscience	3,209	2,301	736	4,774	-	-	4,774
Alternative School	76	53		129	-	-	129
Art Club	8			8	-	-	8
Athletics	20,035	76,838	75,960	20,913	-	-	20,913
Awards	-	1,176	718	458	-	-	458
Band	2,592	9,610	11,407	795	-	750	45
Beta Club	41	3,990	3,986	45	-	-	45
Business Department	1,383	48,044	45,659	3,768	-	-	3,768
Coke - Faculty	829	1,581	1,360	1,050	-	-	1,050
Community Service Club	877	142	50	969	-	-	969
District Activity	-	1,540	1,540	-	-	-	-
Donation	-			-	-	-	-
English Supplies	1,176			1,176	-	-	1,176
FBLA	27	1,912	1,859	80	-	-	80
FCA	963	1,000	247	1,716	-	-	1,716
FFA	3,704	55,697	55,668	3,733	149	-	3,882
Field Trip	-	2,285	1,841	444	-	-	444
Rocket Club	-			-	-	-	-
Football Coke	-			-	-	-	-
Future Educators of America	393			393	-	-	393
General Fund	770	5,958	6,147	581	-	-	581
Guidance Office	942	4,741	4,421	1,262	-	-	1,262
Junior Class	2,105	7,670	7,770	2,005	-	-	2,005
KVHS Registration	-			-	-	-	-
Laptop Fee	-			-	-	-	-
Library Club	920	687	840	767	-	-	767
Pep Club	290	1,597	1,887	-	-	-	-
Senior Class	901	4,325	3,910	1,316	-	-	1,316
Spanish Club	80			80	-	-	80
Speech Fund	1,729	25,867	23,328	4,268	-	-	4,268
Student Coke	163	1,838	2,000	1	-	-	1
Technology Study Association	2,003			2,003	-	-	2,003
Teenage Republicans	500			500	-	-	500
Textbook Account	-			-	-	-	-
Y-Club	-	8,990	8,990	-	-	-	-
Yearbook	12,717	16,729	3,432	26,014	-	14,438	11,576
TOTALS	59,334	284,571	263,756	80,149	149	15,188	65,110
TRANSFERS	-	1,065	1,065	-	-	-	-
TOTALS	\$ 59,334	\$ 283,506	\$ 262,691	\$ 80,149	\$ 149	\$ 15,188	\$ 65,110

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

LARUE COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2015

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS THROUGH GRANTOR'S NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<u>U. S. DEPARTMENT OF AGRICULTURE</u>			
Child Nutrition Cluster -			
Passed Through State Department of Education:			
National School Lunch	10.555	7750002-14	\$ 160,743
		7750002-15	554,412
School Breakfast Program	10.553	7760005-14	85,174
		7760005-15	302,084
Non-Cash Assistance (Commodities)			
National School Lunch Program	10.555	057502-02	75,839
TOTAL CHILD NUTRITION CLUSTER			<u>1,178,252</u>
<u>OTHER U. S. DEPARTMENT OF AGRICULTURE PROGRAMS</u>			
Passed Through State Department of Education:			
Child and Adult Care Food Program	10.558	7800016-15	4,747
TOTAL U. S. DEPT. OF AGRICULTURE			<u>1,182,999</u>
<u>U. S. DEPARTMENT OF EDUCATION</u>			
Special Education Cluster -			
Passed Through State Department of Education:			
Special Education - Grants to States	84.027	3373	105
		3373P	8,679
		3374	41,380
		3374P	3,278
		337A	490,890
			<u>544,332</u>
Special Education - Preschool Grants	84.173	3434	5,357
		343A	24,569
			<u>29,926</u>
TOTAL SPECIAL EDUCATION CLUSTER			<u>574,258</u>
<u>OTHER U. S. DEPARTMENT OF EDUCATION PROGRAMS</u>			
Passed Through Kentucky Council on Postsecondary Education			
Adult Education - State Grant Program	84.002	365A	8,880
		3714	1,234
		371A	29,483
		3734	(19)
		373A	23,855
		373AS	515
			<u>63,948</u>
Passed Through State Department of Education			
Title I Grants to Local Educational Agencies	84.010	3104	182,763
		3104M	2,899
		310A	533,832
		310AM	5,448
			<u>724,942</u>
Vocational Education - Basic Grants to States	84.048	3484A	1,060
		3484	27,019
			<u>28,079</u>
Rural Education	84.358	350A	13,503

The accompanying notes are an integral part of this schedule.

LARUE COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONCLUDED

YEAR ENDED JUNE 30, 2015

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS THROUGH GRANTOR'S NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
English Language Acquisition Grants	84.365	3453 3454 345A	2,030 11,473 8,887 <hr/> 22,390
Improving Teacher Quality - State Grants	84.367	4014 401A	31,914 77,623 <hr/> 109,537
Race to the Top	84.413A	4521	<hr/> 10,038
Passed Through Barren County School District			
Migrant Education - State Grant Program	84.011	3114	<hr/> 6,779
Passed Through University of Kentucky Investing in Innovation (i3) Fund	84.411	491A	<hr/> 2,110
TOTAL U.S. DEPARTMENT OF EDUCATION			<hr/> 1,555,584
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 2,738,583</u></u>

The accompanying notes are an integral part of this schedule.

LARUE COUNTY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2015

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the LaRue County School District under programs of the federal government for the year ended June 30, 2014. 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*. Because the schedule presents only a selected portion of the operations of LaRue County School District, it is not intended to and does not present the financial position, changes in net position or cash flows of LaRue County School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting for proprietary funds and the modified accrual basis of accounting for governmental funds. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed.

NOTE D – SUBRECIPIENTS

There were no subrecipients during the fiscal year.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

LARUE COUNTY SCHOOL DISTRICT

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

June 30, 2015

There were no prior audit findings.

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

CHRIS R. CARTER, CPA
SCOTT KISSELBAUGH, CPA
BRIAN S. WOOSLEY, CPA



STILES, CARTER & ASSOCIATES, P.S.C.

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
LaRue County School District
Hodgenville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of LaRue County School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise LaRue County School District's basic financial statements, and have issued our report thereon dated September 8, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered LaRue County School District's internal control over financial reporting (internal control) to determine the audit 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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 LaRue County School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in the *Independent Auditor's Contract*.

We noted certain matters that we reported to management of LaRue County School District in a separate letter dated September 8, 2015.

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



Certified Public Accountants
Elizabethtown, Kentucky
September 8, 2015

**INDEPENDENT AUDITOR'S
REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
LaRue County School District
Hodgenville, Kentucky

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, LaRue County School District complied, in all material respects, with the 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 LaRue County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered LaRue County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major 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 LaRue County School District's internal control over compliance.

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


Certified Public Accountants
Elizabethtown, Kentucky
September 8, 2015

MANAGEMENT LETTER AND COMMENTS

CHRIS R. CARTER, CPA
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BRIAN S. WOOSLEY, CPA



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Hodgenville, Kentucky

In planning and performing our audit of the basic financial statements of LaRue County School District for the year ended June 30, 2015, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. Any uncorrected comments from the prior year have been included in the memorandum. A separate report dated September 8, 2015, contains our report on the District's internal control. This letter does not affect our report dated September 8, 2015, on the financial statements of the LaRue County School District.

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

This report is intended solely for the information and use of management, the members of the LaRue County Board of Education, others within the District, the Kentucky Department of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Stiles, Carter & Associates".

Certified Public Accountants
Elizabethtown, Kentucky
September 8, 2015

LARUE COUNTY SCHOOL DISTRICT

COMMENTS

June 30, 2015

UNCORRECTED PRIOR YEAR COMMENTS – NONE

CURRENT YEAR COMMENTS

LARUE COUNTY HIGH SCHOOL

DONATION FORM

SCA noted that the deposit dated 1/12/2015 was in compliance with Redbook guidelines for receipts. However, a check in the amount of \$500 and documented on Multiple Receipt Form (form F-SA-6) was listed as a donation and did not include the appropriate Donation Acceptance Form (form F-SA-18). The Redbook indicates that this form should be included for all donation receipts.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.