

LAUREL COUNTY SCHOOL DISTRICT

**BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2015
WITH
REPORT OF INDEPENDENT AUDITORS**

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INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for
School District Audits
Members of the Board of Education
Laurel County School District
London, 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 Laurel County School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, the provisions of the *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Auditor's Contract-General Audit Requirements* and *Appendix II to the Independent Auditor's Contract-State Audit Requirements*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



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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 Laurel County School District, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows and the respective budgetary comparison for the General Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Laurel County School District's basic financial statements as a whole. The combining and individual nonmajor fund financial statements, and the schedule of expenditures of federal awards, as required by the 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 and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, and the schedule of expenditures of federal awards, as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



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Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 9, 2015, on our consideration of Laurel County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Laurel County School District's internal control over financial reporting and compliance.

Cloyd & Associates, PSC

Cloyd & Associates, PSC
London, Kentucky
November 9, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
LAUREL COUNTY SCHOOL DISTRICT - LONDON, KY
Year ended June 30, 2015

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

FINANCIAL HIGHLIGHTS

The District's solid financial position is attributed to sound fiscal management and continuing review of all policies in search of ways to increase revenues and/or reduce costs. Our current financial position is strong and our budget for FY 2016 is solid and supports the educational needs of the students the District serves while at the same time is capable of responding to the fluid nature of changes in the current economic landscape.

Bonds are issued as the District renovates and builds 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 net total bonded debt increased by \$5,470,000 during the current fiscal year.

In fiscal year 2015 the District refunded two bonds at a lower interest rate resulting in \$2,466,742 savings over the remaining 13 year life of the bonds.

In fiscal year 2015 , excluding revenue from bonds of \$28.3 million, total fund revenues were \$93.9 million which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes and excluding construction cost of \$13.4million and refunded bond payments of \$28.7 million total fund expenditures were \$96.6 million.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

The statement of 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 revenues, expenses, and changes in net position 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 expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The district-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (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. Fixed assets and related debt are also supported by taxes and intergovernmental revenues.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
LAUREL COUNTY SCHOOL DISTRICT - LONDON, KY
Year Ended June 30, 2015

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

Governmental Funds: Most of the District's basic activities are reported in these funds, which focus on how money flows into and out of these funds and the balances left at year-end that is available for spending. The funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The statements for these funds provide a short-term view of the District's general operations and the basic services they provide to help determine where financial resources may be found to finance the District's programs.

Proprietary Funds: These are business-type activities where the District charges students or parents for the services it provides. These funds are reported using the full accrual accounting method in the same way that all activities are reported in the Statement of Net position and Statement of Revenues, Expenses, and Changes in Net Position. School food service is the major activity considered as business-type activities in the District.

Fiduciary funds: These are trust funds used to account for resources held for the benefit of parties outside the District. These funds are not reflected in the District-wide financial statements because the resources of these funds are not available to support the District's own activities or programs. The basis of accounting for fiduciary funds is similar to that of proprietary funds.

The basic governmental fund financial statements can be found on pages 10-20 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 district-wide and fund financial statements. The notes to the financial statements can be found on pages 21-42 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
LAUREL COUNTY SCHOOL DISTRICT - LONDON, KY
Year ended June 30, 2015

DISTRICT-WIDE FINANCIAL ANALYSIS

Net position is an indicator of a district's financial position. Laurel County School District assets exceeded liabilities by \$74,991,681 as of June 30, 2015, an increase of \$4,045,761 from the previous year.

Net Position Comparison Statement	June 30, 2015	June 30, 2014	Change
Current assets	\$ 18,370,103	\$ 28,122,444	\$ (9,752,341)
Long-term assets	5,229,978	5,643,946	(413,968)
Capital assets net of depreciation	<u>148,454,622</u>	<u>139,722,028</u>	<u>8,732,594</u>
Total Assets	172,054,703	173,488,418	(1,433,715)
Deferred outflows of resources	<u>4,675,249</u>	<u>966,481</u>	<u>3,708,768</u>
Total Deferred Outflow of Resources	4,675,249	966,481	966,481
Total Assets and Deferred Outflow of Resources	<u>\$ 176,729,952</u>	<u>\$ 174,454,899</u>	<u>\$ 2,275,053</u>
Current liabilities	\$ 10,036,916	\$ 8,639,019	\$ 1,397,897
Long-term liabilities	<u>104,566,078</u>	<u>94,869,959</u>	<u>9,696,119</u>
Total Liabilities	114,602,994	103,508,978	11,094,016
Deferred inflows from pension liability	<u>1,418,000</u>	-	<u>1,418,000</u>
Total Deferred Inflow of Resources	1,418,000	-	1,418,000
Net Position			
Investment in capital assets, net of debt	60,985,185	45,666,118	15,319,067
Restricted	6,094,926	17,557,815	(11,462,889)
Unreserved Fund Balance	<u>(6,371,153)</u>	<u>7,721,988</u>	<u>(14,093,141)</u>
Total Net Position	60,708,958	70,945,921	(10,236,963)
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 176,729,952</u>	<u>\$ 174,454,899</u>	<u>\$ 2,275,053</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
LAUREL COUNTY SCHOOL DISTRICT - LONDON, KY
Year ended June 30, 2015

Capital Asset Activity	June 30, 2014	FY 2015	FY 2015	June 30, 2015
	Balance	Additions	Retirements	Balance
Governmental Activities				
Land & Land Improvements	\$ 8,419,900	\$ -	\$ -	\$ 8,419,900
Buildings	154,270,673	1,138,896	-	155,409,569
Technology	7,140,097	39,895	512,662	6,667,330
Vehicles	8,580,485	777,476	899,132	8,458,829
General Equipment	2,055,528	13,958	33,948	2,035,538
Construction Work in Progress	5,934,101	12,583,729	291,317	18,226,513
Total historical cost	186,400,784	14,553,954	1,737,059	199,217,679
Less accumulated depreciation	54,664,779	5,158,258	1,387,169	58,435,868
Governmental capital assets, net	\$ 131,736,005	\$ 9,395,696	\$ 349,890	\$ 140,781,811
Business-type Activities				
Buildings	\$ 10,776,135	\$ -	\$ -	\$ 10,776,135
Technology	13,412	-	4,095	9,317
General Equipment	2,606,852	14,355	3,947	2,617,260
Total historical cost	13,396,399	14,355	8,042	13,402,712
Less accumulated depreciation	5,410,376	327,568	8,042	5,729,902
Business-type capital assets, net	\$ 7,986,023	\$ (313,213)	\$ -	\$ 7,672,810

Comments on General Fund Budget Comparisons

The District's total General Fund revenues for the fiscal year ended June 30, 2015, net of interfund transfers and beginning balance was \$66,491,897.

Total General Fund budgeted revenue compared to actual revenue varied from line item to line item with the ending actual revenue being \$1,561,855 more than budget or 2.4% more. The major contributor to this increase was an increase of \$1,357,172 in on-behalf benefit payments made directly to KDE.

Total General Fund budgeted expenditures net of budgeted contingency and interfund transfers compared to actual expenditures were \$2,518,980 less than budget or 3.7% less. The major contributor to this decrease was budgets set aside for the opening of the District's new Center for Innovation were not expended until after the end of FY 2015.

The budget to actual comparison statement can be found on page 16 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
LAUREL COUNTY SCHOOL DISTRICT - LONDON, KY
Year ended June 30, 2015

The following table presents a summary of revenues and expenditures reported on the Annual Financial Report for the fiscal year ended June 30, 2015, excluding beginning balance and inter-fund transfers, compared to the fiscal year ended June 30, 2014.

REVENUES

	<u>FY 2015</u>	<u>FY 2014</u>	<u>Change</u>
Local revenue sources	\$ 20,273,398	\$ 20,067,342	\$ 206,056
State revenue sources	60,213,103	57,360,493	2,852,610
Federal Revenue	10,551,517	11,420,763	(869,246)
Bond Proceeds	31,231,414	27,525,000	3,706,414
Total revenues	<u>\$ 122,269,432</u>	<u>\$ 116,373,598</u>	<u>\$ 5,895,834</u>

EXPENDITURES

Instruction	\$ 46,139,430	\$ 48,400,406	\$ (2,260,976)
Student Support Services	5,326,310	5,100,180	226,130
Instructional Support	3,353,256	3,661,289	(308,033)
District Administration	1,050,642	708,244	342,398
School Administration	3,447,156	3,329,410	117,746
Business Support	1,884,012	1,814,197	69,815
Plant Operations	8,445,314	8,526,349	(81,035)
Student Transportation	4,185,669	4,549,804	(364,135)
Food Service	5,857,814	6,051,393	(193,579)
Enterprise Operations	138,885	187,128	(48,243)
Community Support	806,932	755,679	51,253
Other	190,401	-	190,401
Bond Refunding Payment	31,231,214	-	31,231,214
Building Renovations/Additions	13,431,308	11,188,438	2,242,870
Debt Service	8,344,915	17,515,377	(9,170,462)
Lease Payments	-	-	-
Total expenditures	<u>133,833,258</u>	<u>111,787,894</u>	<u>22,045,364</u>
Revenue In Excess (Deficit) of Expenditures:	<u>\$ (11,563,826)</u>	<u>\$ 4,585,704</u>	<u>\$ (16,149,530)</u>

The major factors in the above changes are the result of revenue from bond sale in FY 2014 and portion of that revenue not being expended for construction until FY 2015.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
LAUREL COUNTY SCHOOL DISTRICT - LONDON, KY
Year Ended June 30, 2015

BUDGETARY IMPLICATIONS

Kentucky's public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the District overall budget for the current fiscal year. By statute the General Fund budget must maintain a minimum 2.0% unreserved fund balance, the District budgeted \$6,880,194 unreserved fund balance (11.00%) and ended the year with an actual unreserved fund balance of \$7,046,136 (11.22%).

LOCAL ECONOMIC OUTLOOK

The economic forecast for the London/Laurel County area continues to be stable.

Census data from the University of Louisville indicates on average a 7% population growth every five years for the next twenty-five years, however the growth in student ages (5-19) remains level until the year 2025 when the growth in this age group will begin to increase. Laurel County Schools FY 2015 student enrollment was level compared with FY 2014 enrollment.

Laurel County has an intersection of a north/south interstate, I-75, and a major east/west highway. Economic strength can be found in the balance among manufacturing, professional services, retail trade, tourism, educational, health and social service, and transportation. The area's diverse economic infrastructure has insulated it from major economic downturns. Local government officials continue to be very proactive in attracting new employers to the area and have been successful in attracting new jobs to the area.

CONTACTING THE LAUREL COUNTY SCHOOL DISTRICT MANAGEMENT

Questions regarding this report should be directed to the Business Manager or the Director of Accounting, by phone (606) 862-4600 or by mail at 718 North Main Street, London, KY 40741.

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

ASSETS	Governmental Activities	Business-type Activities	Total
Current Assets			
Cash and cash equivalents	\$ 14,846,320	\$ 723,314	\$ 15,569,634
SFCC Current receivable of bonds payable	466,122	-	466,122
Accounts receivable	1,646,889	13,479	1,660,368
Supplies Inventory	516,519	157,460	673,979
Total current assets	<u>17,475,850</u>	<u>894,253</u>	<u>18,370,103</u>
Noncurrent Assets			
SFCC long term receivable of bond principal	5,229,978	-	5,229,978
Capital assets	199,217,678	13,402,712	212,620,390
Less: Accumulated depreciation	<u>(58,435,867)</u>	<u>(5,729,901)</u>	<u>(64,165,768)</u>
Total noncurrent assets	<u>146,011,789</u>	<u>7,672,811</u>	<u>153,684,600</u>
Total assets	<u>163,487,639</u>	<u>8,567,064</u>	<u>172,054,703</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred amounts from refunding bonds	3,014,635	-	3,014,635
Deferred amounts from pension liability	1,397,795	262,819	1,660,614
Total deferred outflow of resources	<u>4,412,430</u>	<u>262,819</u>	<u>4,675,249</u>
Total Assets and deferred outflow of resources	<u>\$ 167,900,069</u>	<u>\$ 8,829,883</u>	<u>\$ 176,729,952</u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 2,852,204	\$ 3,818	\$ 2,856,022
Interest payable	777,635	-	777,635
Current portion of bond obligations	5,110,000	-	5,110,000
Current portion of KSBIT Assessment	251,796	-	251,796
Current portion of accrued sick leave	168,000	-	168,000
Accrued payroll and withholding obligations	602,183	-	602,183
Deferred revenue	271,280	-	271,280
Total current liabilities	<u>10,033,098</u>	<u>3,818</u>	<u>10,036,916</u>
Noncurrent Liabilities			
Net pension liability	10,591,325	2,112,675	12,704,000
Noncurrent portion of bonds obligations	88,035,000	-	88,035,000
Bond premium, net of amortization	2,896,414	-	2,896,414
Noncurrent portion of KSBIT Assessment	578,571	-	578,571
Noncurrent portion of accrued sick leave	352,093	-	352,093
Total noncurrent liabilities	<u>102,453,403</u>	<u>2,112,675</u>	<u>104,566,078</u>
Total Liabilities	<u>112,486,501</u>	<u>2,116,493</u>	<u>114,602,994</u>
DEFERRED INFLOW OF RESOURCES			
Deferred amounts from pension liability	1,182,187	235,813	1,418,000
Total deferred inflow of resources	<u>1,182,187</u>	<u>235,813</u>	<u>1,418,000</u>
Total Liabilities and deferred inflow of resources	<u>113,668,688</u>	<u>2,352,306</u>	<u>116,020,994</u>
NET POSITION			
Net investment in capital assets	53,312,374	7,672,811	60,985,185
Restricted for:			
Capital projects	2,484,989	-	2,484,989
Other purposes	3,604,337	5,600	3,609,937
Unrestricted	<u>(5,170,319)</u>	<u>(1,200,834)</u>	<u>(6,371,153)</u>
Total net position	<u>54,231,381</u>	<u>6,477,577</u>	<u>60,708,958</u>
Total liabilities and net position	<u>\$ 167,900,069</u>	<u>\$ 8,829,883</u>	<u>\$ 176,729,952</u>

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

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
Instruction	\$ 53,670,983	\$ 54,353	\$ 10,748,743	\$ -	\$ (42,867,887)	\$ -	\$ (42,867,887)
Support services:							
Student	5,736,353	-	515,080	-	(5,221,273)	-	(5,221,273)
Instruction staff	3,748,185	-	759,722	-	(2,988,463)	-	(2,988,463)
District administrative	1,178,726	-	83,686	-	(1,095,040)	-	(1,095,040)
School administrative	3,713,784	-	343,092	-	(3,370,692)	-	(3,370,692)
Business	2,028,716	-	389,628	-	(1,639,088)	-	(1,639,088)
Plant operation and maintenance	9,819,686	-	998,681	-	(8,821,005)	-	(8,821,005)
Student transportation	4,236,056	-	300,760	-	(3,935,296)	-	(3,935,296)
Community service activities	868,908	-	864,748	-	(4,160)	-	(4,160)
Other	53,806	-	-	-	(53,806)	-	(53,806)
Interest on long-term debt	3,138,279	-	-	313,397	(2,824,882)	-	(2,824,882)
Total governmental activities	88,193,482	54,353	15,004,140	313,397	(72,821,592)	-	(72,821,592)
Business-type Activities							
Food service	5,857,814	1,134,867	4,216,354	-	-	(506,593)	(506,593)
Adult education	-	-	-	-	-	-	-
Day care	113,663	115,407	-	-	-	1,744	1,744
Other business activities	25,221	23,460	-	-	-	(1,761)	(1,761)
Total business-type activities	5,996,698	1,273,734	4,216,354	-	-	(506,610)	(506,610)
Total school district	\$ 94,190,180	\$ 1,328,087	\$ 19,220,494	\$ 313,397	(72,821,592)	(506,610)	(73,328,202)
General Revenues							
					12,589,119	-	12,589,119
					357,373	-	357,373
					1,460,558	-	1,460,558
					3,817,116	-	3,817,116
					313,233	-	313,233
					71,469	-	71,469
					88,690	732	89,422
					56,919,739	-	56,919,739
					(8,740)	-	(8,740)
					-	-	-
					156,064	3,942	160,006
					<u>75,764,621</u>	<u>4,674</u>	<u>75,769,295</u>
					2,943,029	(501,936)	2,441,093
					<u>51,288,352</u>	<u>6,979,513</u>	<u>58,267,865</u>
					<u>\$ 54,231,381</u>	<u>\$ 6,477,577</u>	<u>\$ 60,708,958</u>

LAUREL COUNTY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2015

	General Fund	Special Revenue	Construction Fund	Other Nonmajor Governmental	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 12,113,809	\$ (533,703)	\$ 3,266,214	\$ -	\$ 14,846,320
Accounts receivable	565,855	862,044	218,990	-	1,646,889
Supplies inventory	516,519	-	-	-	516,519
Total assets	13,196,183	328,341	3,485,204	-	17,009,728
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	1,794,928	57,061	1,000,215	-	2,852,204
Accrued payroll and withholding obligations	602,183	-	-	-	602,183
Unearned revenue	-	271,280	-	-	271,280
Current portion of accumulated sick leave	168,000	-	-	-	168,000
Total liabilities	2,565,111	328,341	1,000,215	-	3,893,667
Fund Balances					
Nonspendable	516,519	-	-	-	516,519
Restricted	-	-	2,484,989	-	2,484,989
Committed	2,500,000	-	-	-	2,500,000
Assigned	587,819	-	-	-	587,819
Unassigned	7,026,734	-	-	-	7,026,734
Total fund balances	10,631,072	-	2,484,989	-	13,116,061
Total liabilities and fund balances	\$ 13,196,183	\$ 328,341	\$ 3,485,204	\$ -	\$ 17,009,728

LAUREL 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	\$ 13,116,060
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.	140,781,811
Certain assets are not reported in this fund financial statement because they are not available to pay current-period expenditures, but they are reported in the statement of net position.	5,696,100
Deferred outflows of resources and deferred inflows are not reported in this fund financial statement because they do not affect current economic resources, but they are presented in the statement of net position.	3,230,243
Certain liabilities (such as bonds payable, premiums, the long-term portion of accrued sick leave, and accrued interest, net pension liability) are not reported in this fund financial statement because they are not due and payable but they are presented in the statement of net position.	<u>(108,592,833)</u>
Net position for governmental activities	<u>\$ 54,231,381</u>

LAUREL COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2015

	General Fund	Special Revenue	Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
From local sources					
Property taxes	\$ 7,734,369	\$ -	\$ -	\$ 4,597,344	\$ 12,331,713
Motor vehicle taxes	1,460,558	-	-	-	1,460,558
Utility taxes	3,817,116	-	-	-	3,817,116
Franchise fees	684,173	-	-	-	684,173
Other taxes	315,309	-	-	-	315,309
Earnings on investments	23,581	9	9,437	55,672	88,699
Other local revenues	107,541	54,353	-	-	161,894
State sources					
SEEK	37,949,708	-	-	3,979,444	41,929,152
Other	13,809,955	2,704,769	587,444	644,064	17,746,232
Federal - direct	51,733	119,009	-	109,901	280,643
Federal - indirect	346,624	6,140,309	-	-	6,486,933
Revenue in lieu of taxes	142,677	-	-	-	142,677
Other revenues	48,523	-	-	-	48,523
Total revenues	66,491,867	9,018,449	596,881	9,386,425	85,493,622
Expenditures					
Instruction	38,942,653	7,196,777	-	-	46,139,430
Support services					
Student	5,218,491	107,819	-	-	5,326,310
Instruction staff	2,859,642	493,614	-	-	3,353,256
District administration	1,050,642	-	-	-	1,050,642
School administration	3,367,730	79,426	-	-	3,447,156
Business	1,638,416	245,596	-	-	1,884,012
Plant operation and maintenance	8,149,038	296,276	-	-	8,445,314
Student transportation	4,185,654	15	-	-	4,185,669
Facilities acquisition and construction	-	-	13,431,308	-	13,431,308
Community service activities	3,873	803,059	-	-	806,932
Debt service	-	-	-	8,344,915	8,344,915
Other expenditures	190,401	-	-	-	190,401
Total expenditures	65,606,540	9,222,582	13,431,308	8,344,915	96,605,345
Excess (deficit) of revenues over expenditures	885,327	(204,133)	(12,834,427)	1,041,510	(11,111,723)
Other Financing Sources (Uses)					
Proceeds from sale of bonds	-	-	-	28,335,000	28,335,000
Bond premium	-	-	-	2,896,414	2,896,414
Deposits with escrow agents	-	-	-	(31,051,069)	(31,051,069)
Cost of debt issuance	-	-	-	(180,345)	(180,345)
Net proceeds from sale of fixed assets	49,832	-	-	-	49,832
Operating transfers in	1,021,840	738,074	899,009	7,535,278	10,194,201
Operating transfers out	(1,083,472)	(533,941)	-	(8,576,788)	(10,194,201)
Total other financing sources (uses)	(11,800)	204,133	899,009	(1,041,510)	49,832
Net change in fund balances	873,527	-	(11,935,418)	-	(11,061,891)
Fund balance, July 1, 2014	9,757,545	-	14,420,407	-	24,177,952
Fund balance, June 30, 2015	\$ 10,631,072	\$ -	\$ 2,484,989	\$ -	\$ 13,116,061

LAUREL COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

Net change in total fund balances per fund financial statements	\$ (11,061,891)
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 capital outlays exceeds depreciation expense for the year.	9,395,696
The proceeds for the issuance of bonds provide current financial resources and are reported in this fund financial statement but they are presented as liabilities in the Statement of Net Position.	(28,335,000)
Unrealized gains and losses are not presented in this financial statement because they do not provide or use current financial resources but they are presented in the statement of activities.	(349,890)
Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the Statement of Net Position.	33,805,000
Generally, revenues recognized in this fund financial statement are limited to only those that use current financial resources, but certain revenues such as bond premiums are amortized over the life of the bond issue and are presented on the Statement of Net Position.	(2,896,414)
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>2,385,528</u>
Change in net position of governmental activities	<u>\$ 2,943,029</u>

LAUREL COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final	General Fund	
Revenues				
From local sources				
Property taxes	\$ 8,440,000	\$ 8,641,000	\$ 8,733,851	\$ 92,851
Motor vehicle taxes	1,600,000	1,629,000	1,460,558	(168,442)
Utility taxes	3,600,000	3,750,000	3,817,116	67,116
Revenue in lieu of taxes	236,000	190,000	142,677	(47,323)
Earnings on investments	25,000	25,000	23,581	(1,419)
Other local revenues	44,000	73,000	107,541	34,541
State sources				
SEEK	38,502,196	37,946,012	37,949,708	3,696
Other	11,799,000	12,435,000	13,809,955	1,374,955
Federal - direct	70,000	70,000	51,733	(18,267)
Federal - indirect	100,000	150,000	346,624	196,624
Other revenues	-	21,000	48,523	27,523
Total revenues	64,416,196	64,930,012	66,491,867	1,561,855
Expenditures				
Instruction	37,264,828	40,319,112	38,942,653	1,376,459
Support services				-
Student	5,311,691	5,268,285	5,218,491	49,794
Instruction staff	3,556,381	3,308,688	2,859,642	449,046
District administration	727,467	728,467	1,050,642	(322,175)
School administration	3,410,539	3,473,816	3,367,730	106,086
Business	1,515,948	1,672,685	1,638,416	34,269
Plant operation and maintenance	7,538,488	8,781,299	8,149,038	632,261
Student transportation	3,898,989	4,225,753	4,185,654	40,099
Community service activities	187,938	187,938	3,873	184,065
Debt service	-	-	-	-
Other expenditures	145,586	159,480	190,401	(30,921)
Total expenditures	63,557,855	68,125,523	65,606,540	2,518,983
Excess (deficit) of revenues over expenditures	858,341	(3,195,511)	885,327	4,080,838
Other Financing Sources (Uses)				
Net proceeds from sale of fixed assets	35,000	35,000	49,832	14,832
Operating transfers in	-	950,243	1,021,840	71,597
Operating transfers out	(135,000)	(695,053)	(1,083,472)	(388,419)
Total other financing sources (uses)	(100,000)	290,190	(11,800)	(301,990)
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	758,341	(2,905,321)	873,527	3,778,848
Fund balance, July 1, 2014	9,757,545	9,757,545	9,757,545	-
Fund balance, June 30, 2015	\$ 10,515,886	\$ 6,852,224	\$ 10,631,072	\$ 3,778,848

LAUREL COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2015

ASSETS	Food Service Fund	Other Enterprise Funds	Total
Current Assets			
Cash and cash equivalents	\$ 616,259	\$ 107,055	\$ 723,314
Accounts receivable	12,979	500	13,479
Inventory	157,460	-	157,460
Total current assets	<u>786,698</u>	<u>107,555</u>	<u>894,253</u>
Noncurrent Assets			
Capital assets	13,402,712	-	13,402,712
Less: Accumulated depreciation	<u>(5,729,901)</u>	<u>-</u>	<u>(5,729,901)</u>
Total noncurrent assets	<u>7,672,811</u>	<u>-</u>	<u>7,672,811</u>
Total assets	<u>\$ 8,459,509</u>	<u>\$ 107,555</u>	<u>\$ 8,567,064</u>
Deferred outflow of resources			
Deferred pension contributions	<u>262,819</u>	<u>-</u>	<u>262,819</u>
Total assets and deferred outflows	<u>\$ 8,722,328</u>	<u>\$ 107,555</u>	<u>\$ 8,829,883</u>
LIABILITIES			
Current Liabilities			
Accounts payable	<u>3,499</u>	<u>319</u>	<u>3,818</u>
Total current liabilities	<u>3,499</u>	<u>319</u>	<u>3,818</u>
Other Liabilities			
Net pension liability	<u>2,112,675</u>	<u>-</u>	<u>2,112,675</u>
Deferred inflow of resources			
Deferred pension inflows	<u>235,813</u>	<u>-</u>	<u>235,813</u>
NET POSITION			
Net investment in capital assets	7,672,811	-	7,672,811
Restricted for:			
Other	4,782	818	5,600
Unrestricted	<u>(1,307,252)</u>	<u>106,418</u>	<u>(1,200,834)</u>
Total net position	<u>6,370,341</u>	<u>107,236</u>	<u>6,477,577</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 8,722,328</u>	<u>\$ 107,555</u>	<u>\$ 8,829,883</u>

LAUREL COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2015

	Food Service Fund	Other Enterprise Funds	Total
Operating Revenues			
Food service sales	\$ 1,134,867	\$ 5,411	\$ 1,140,278
Community service activities	-	115,407	115,407
Other operating revenues	<u>3,942</u>	<u>18,049</u>	<u>21,991</u>
Total operating revenues	<u>1,138,809</u>	<u>138,867</u>	<u>1,277,676</u>
Operating Expenses			
Salaries and wages	1,554,770	74,209	1,628,979
Benefits	686,669	17,612	704,281
Supplies and materials	3,288,807	47,064	3,335,871
Depreciation	327,568	-	327,568
Other operating expenses	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>5,857,814</u>	<u>138,885</u>	<u>5,996,699</u>
Operating income (loss)	<u>(4,719,005)</u>	<u>(17)</u>	<u>(4,719,023)</u>
Nonoperating revenues (expenses)			
Federal grants	3,604,701	-	3,604,701
State grants	372,146	-	372,146
Donated commodities	239,508	-	239,508
Operating transfers Out	-	-	-
Interest income	<u>732</u>	<u>-</u>	<u>732</u>
Total nonoperating revenues (expenses)	<u>4,217,087</u>	<u>-</u>	<u>4,217,087</u>
Net income (loss)	(501,918)	(17)	(501,935)
Total net position, July 1, 2014, restated	<u>6,872,259</u>	<u>107,253</u>	<u>6,979,512</u>
Total net position, June 30, 2015	<u>\$ 6,370,341</u>	<u>\$ 107,236</u>	<u>\$ 6,477,577</u>

LAUREL COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended June 30, 2015

	Food Service Fund	Other Enterprise Funds	Total
Cash Flows from Operating Activities			
Cash received from lunchroom sales	\$ 1,134,778	\$ 5,411	\$ 1,140,189
Cash received from user charges	-	115,407	115,407
Cash received from other activities	3,942	18,049	21,991
Cash payments to employees for services	(1,944,403)	(91,821)	(2,036,224)
Cash payments to suppliers for goods and services	(3,032,207)	(47,849)	(3,080,056)
Cash payments for other operating activities	<u>(10,545)</u>	<u>-</u>	<u>(10,545)</u>
Net cash from operating activities	<u>(3,848,435)</u>	<u>(803)</u>	<u>(3,849,238)</u>
Cash Flows from Capital Financing Activities			
Acquisition of capital assets	<u>(14,355)</u>	<u>-</u>	<u>(14,355)</u>
Net cash from capital financing activities	<u>(14,355)</u>	<u>-</u>	<u>(14,355)</u>
Cash Flows from Noncapital Financing Activities			
Nonoperating grants received	3,657,119	-	3,657,119
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Net cash from noncapital financing activities	<u>3,657,119</u>	<u>-</u>	<u>3,657,119</u>
Cash Flows from Investing Activities			
Interest on investments	<u>732</u>	<u>-</u>	<u>732</u>
Net cash flows from investing activities	<u>732</u>	<u>-</u>	<u>732</u>
Net increase (decrease) in cash and cash equivalents	(204,939)	(803)	(205,742)
Cash and cash equivalents - beginning	<u>821,198</u>	<u>107,858</u>	<u>929,056</u>
Cash and cash equivalents - ending	<u>\$ 616,259</u>	<u>\$ 107,055</u>	<u>\$ 723,314</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ (4,719,005)	\$ (17)	\$ (4,719,022)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Depreciation	327,568	-	327,568
Donated Commodities	239,508	-	239,508
On-behalf payments	319,727	-	319,727
Changes in assets and liabilities:			
Pension expense	(22,692)	-	(22,692)
Receivables	(88)	(501)	(589)
Inventory	20,207	-	20,207
Accounts payable	<u>(13,660)</u>	<u>(285)</u>	<u>(13,945)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (3,848,435)</u>	<u>\$ (803)</u>	<u>\$ (3,849,238)</u>
Non-Cash Non-Capital Financing Activities			
Donated commodities received from federal government	<u>\$ 239,508</u>	<u>\$ -</u>	<u>\$ 239,508</u>

LAUREL COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2015

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 551,645
Accounts receivable	<u>11,911</u>
Total assets	<u><u>\$ 563,556</u></u>
LIABILITIES	
Accounts payable	\$ 41,019
Due to student groups	<u>522,537</u>
Total liabilities	<u>563,556</u>
Total net position	<u><u>\$ -</u></u>

LAUREL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year ended June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Laurel 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 Laurel County School District ("District"). The District receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and activities relevant to the operation of the Laurel County Board of Education. The basic financial statements presented herein do not include funds of groups and organizations, which, although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc. Such funds or groups have been considered as prospective component units under GASB Statement Number 39, *Determining Whether Certain Organizations Are Component Units*, and have been determined to have insignificant assets, liabilities, equity, revenue and expenditures to be considered component units. In addition, the Board has the ability to exert little control over the fiscal activities of the funds or groups.

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

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

Laurel County School District Finance Corporation - In a prior year the Board of Education resolved to authorize the establishment of the Laurel 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.

Basis of Presentation

District-wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental, which normally are supported by tax revenues, and those that are considered business-type activities, which rely significantly on fees and charges for support.

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

LAUREL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basis of Presentation - continued

The district-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient 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. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

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

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

The District has the following funds:

I. Government Fund Types

- (A) The General Fund is the main operating fund of the District. It accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue (Grant) Funds account 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 of the District.

LAUREL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Presentation - continued

I. Government Fund Types - continued

- (C) 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. This is a major fund of the District.
- (D) The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on general obligation notes payable, as required by Kentucky law.

II. Proprietary Fund Types (Enterprise Fund)

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

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

III. Fiduciary Fund Type (Agency Funds)

- (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 *Accounting Procedures for Kentucky School Activity Funds*.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. District-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.

LAUREL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Accounting - continued

Revenues, Exchange and Non-exchange Transactions - Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

Unearned Revenue - Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue. The District reports unearned revenue on its statement of net position and governmental funds balance sheet. In both the district-wide and governmental fund statements, grants that are intended to finance future periods are reported as unearned revenue. In subsequent periods, the liability for unearned revenue is removed from the statement of net position and governmental funds balance sheet and revenue is recognized.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on flow of current financial resources. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid vacation and sick leave, which are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Property Taxes

Property taxes are levied by September 30 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.

LAUREL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The property tax rates assessed for the year ended June 30, 2015, to finance the General Fund operations were \$.488 per \$100 valuation for real property, \$.488 per \$100 valuation for business personal property and \$.463 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.

Prepaid Assets

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

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 district-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 district-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
School buses	10 years
Other vehicles	5 years
Audio-visual equipment	15 years
Food service equipment	12 years
Furniture and fixtures	20 years
Rolling stock	15 years
Other general equipment	10 years

Interfund Receivables and Payables

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

LAUREL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

The entire compensated absence liability includes the remaining 70% plus any accrued sick leave for people not eligible and is reported on the district-wide financial statements. For governmental fund financial statements, the amount of accumulated vacation and sick leave of employees has been recorded as an assigned portion of fund balance. The balance of the liability is not recorded.

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accumulated sick leave payable" in the General Fund. The noncurrent portion of the liability is not reported.

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 on the modified accrual basis of accounting (budgetary) as opposed to when susceptible to accrual (GAAP).
- Expenditures are recorded on the modified accrual basis of accounting (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved by the Board, it can be amended. Budgetary receipts represent original estimates modified for adjustments, if any, during the fiscal year. Budgetary disbursements represent original appropriations adjusted for budget transfers and additional appropriations, if any, approved during the fiscal year.

Each budget is prepared and controlled at the revenue and expenditure function/object level. All budget appropriations lapse at year-end. For purposes of audit presentation, the District only presents the General Fund budget within the financial statements.

Cash and Cash Equivalents

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

Inventories

On district-wide and governmental fund financial statements inventories of supplies and materials are stated at cost and are expensed when used.

The school Food Service Fund inventory consists of food, supplies and U.S. Government commodities.

The Food Service Fund inventory is stated at cost and uses the specific identification method; and the General Fund inventory is stated at cost and uses the first-in, first-out method.

LAUREL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accrued Liabilities and Long-Term Obligations

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Fund Balance Reserves

The Board adopted GASB Statement Number 54 in a prior year and under this statement, the fund balance is separated into five categories as follows:

Nonspendable fund balance is permanently nonspendable by decree of donor. Examples would be an endowment or that which may not be used for another purpose such as amounts used to prepay future expenses or already purchased inventory on hand.

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.

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.

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.

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.

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

LAUREL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Encumbrances

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end, and outstanding encumbrances at year-end are reappropriated in the next year. Encumbrances are considered a managerial assignment of fund balance at June 30, 2015, in the governmental funds balance sheet.

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when limitations are imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses

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

Contributions of Capital

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

Interfund Activity

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

Deferred Inflows and Deferred Outflows of Resources

Deferred inflows and deferred outflows are recorded on the government-wide and proprietary financial statements. The deferred outflows of resources presented were primarily created by the prior refunding of revenue bonds and deferral of pension contributions. Deferred inflows were primarily created by actuarial determinations of net pension liability changes.

Pensions

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

LAUREL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
 Year ended June 30, 2015

NOTE B – 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 expenditures during the reporting period. Actual results could differ from those estimates.

NOTE C - 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. As of June 30, 2015, none of the District's bank balance was exposed to custodial credit risk because of coverage by Federal Depository insurance and by collateral agreements and collateral held by the pledging banks' trust departments in the District's name.

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

	<u>Bank Balance</u>	<u>Book Balance</u>
First National Bank & Trust	\$ 16,971,859	\$ 15,734,568
Cumberland Valley National Bank & Trust	420,359	386,539
Petty cash	<u>-</u>	<u>171</u>
	<u>\$ 17,392,218</u>	<u>\$ 16,121,278</u>

Breakdown per financial statements is as follows:

Governmental funds	\$ 14,846,320
Proprietary funds	723,313
Agency funds	<u>551,645</u>
	<u>\$ 16,121,278</u>

LAUREL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2015

NOTE D - RECEIVABLES

The District recognizes revenues as receivables when they are measurable and receipt is probable. Concentration of credit risk with respect to the receivables from federal and state governments is limited due to the historical stability of those institutions. While the District receives revenues from many different sources throughout each year, accounts and grants receivable from outside sources may be grouped into the following categories (as stated in the District-wide financial statements):

	<u>June 30, 2015</u>
Accounts receivable from outside sources	
Accounts receivable	\$ 798,324
Grants receivable	<u>862,044</u>
	<u>\$ 1,660,368</u>

Federal and state grants to be used or expended as specified by the grantor are recognized as revenue and recorded as receivables as qualifying expenditures are made.

NOTE E - CAPITAL ASSETS

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

	<u>June 30, 2014</u>			<u>June 30, 2015</u>
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>
Governmental Activities				
Land & Land Improvements	\$ 8,419,900	\$ -	\$ -	\$ 8,419,900
Buildings	154,270,673	1,138,896	-	155,409,569
Technology	7,140,097	39,895	512,662	6,667,330
Vehicles	8,580,485	777,476	899,131	8,458,830
General Equipment	2,055,528	13,958	33,948	2,035,538
Construction Work in Progress	<u>5,934,101</u>	<u>12,583,729</u>	<u>291,317</u>	<u>18,226,513</u>
Total historical cost	186,400,784	14,553,954	1,737,058	199,217,680
Less accumulated depreciation	<u>54,664,779</u>	<u>5,158,259</u>	<u>1,387,169</u>	<u>58,435,869</u>
Governmental capital assets, net	<u>\$ 131,736,005</u>	<u>\$ 9,395,695</u>	<u>\$ 349,889</u>	<u>\$ 140,781,811</u>
Business-type Activities				
Buildings	\$ 10,776,135	\$ -	\$ -	\$ 10,776,135
Technology	13,412	-	4,095	9,317
General Equipment	<u>2,606,852</u>	<u>14,356</u>	<u>3,947</u>	<u>2,617,261</u>
Total historical cost	13,396,399	14,356	8,042	13,402,713
Less accumulated depreciation	<u>5,410,376</u>	<u>327,568</u>	<u>8,042</u>	<u>5,729,902</u>
Business-type capital assets, net	<u>\$ 7,986,023</u>	<u>\$ (313,212)</u>	<u>\$ -</u>	<u>\$ 7,672,811</u>

LAUREL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2015

NOTE E - CAPITAL ASSETS - CONTINUED

Depreciation expense for business-type activities was entirely incurred in the operation of the School Food Services. Depreciation for governmental activities was charged to governmental functions as follows:

Instruction	\$	3,765,707
Student		881
Instruction staff		137,574
District administrative		44,008
School administrative		1,731
Business		-
Plant operation and maintenance		742,523
Student transportation		465,835
		<hr/>
	\$	<u>5,158,259</u>

NOTE F - LONG-TERM OBLIGATIONS

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

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
2005	\$ 8,180,000	3.60% - 4.00%
2007	\$ 25,210,000	4.00% - 5.00%
2008	\$ 3,550,000	2.40% - 3.60%
2009	\$ 4,050,000	1.50% - 3.15%
2010	\$ 2,280,000	2.125% - 2.75%
2010	\$ 8,720,000	.75% - 5.0%
2012	\$ 9,425,000	1.00% - 2.80%
2012	\$ 8,900,000	1.00% - 3.00%
2014	\$ 9,825,000	2.00 - 3.50%
2014	\$ 17,700,000	2.00% - 4.00%
2015	\$ 15,465,000	4.00%
2015	\$ 12,870,000	3.00% - 4.00%

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 Laurel 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.

LAUREL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2015

NOTE F - LONG-TERM OBLIGATIONS - CONTINUED

In 1987, the District entered into "participation agreements" with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The 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. The District has reflected the amount due from the Commission over the life of the bonds as a receivable in the Statement of Net Position since there is no reason to believe that the Kentucky General Assembly will not continue to approve continued participation.

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

Year	Laurel County School District		Kentucky School Facility Construction Commission		ARRA Rebate Interest	Total
	Principal	Interest	Principal	Interest		
2015-16	\$ 4,643,878	\$ 2,808,324	\$ 466,122	\$ 177,943	\$ 116,845	\$ 8,213,111
2016-17	4,726,335	2,729,526	473,665	170,398	114,943	8,214,866
2017-18	4,889,755	2,561,505	430,245	157,227	112,620	8,151,353
2018-19	5,017,776	2,437,106	442,224	145,249	109,908	8,152,264
2019-20	5,169,241	2,281,438	315,759	132,450	106,811	8,005,700
2020-21	5,330,061	2,113,401	324,939	123,271	103,443	7,995,115
2021-22	5,510,355	1,942,976	334,645	113,565	99,881	8,001,423
2022-23	5,674,476	1,769,805	345,524	102,688	96,058	7,988,551
2023-24	5,867,419	1,585,944	357,581	90,630	91,894	7,993,468
2024-25	6,098,861	1,356,836	326,139	77,840	87,469	7,947,144
2025-26	6,321,638	1,129,161	338,362	65,617	82,797	7,937,575
2026-27	6,560,185	891,997	319,815	53,252	77,766	7,903,015
2027-28	3,798,808	682,591	251,192	42,224	66,381	4,841,196
2028-29	3,918,570	563,393	261,430	31,989	48,307	4,823,689
2029-30	4,042,650	437,493	272,350	21,067	29,258	4,802,819
2030-31	3,278,551	321,082	246,449	10,437	9,756	3,866,275
2031-32	2,399,426	230,076	100,574	4,055	-	2,734,131
2032-33	2,480,915	147,139	89,085	1,336	-	2,718,475
2033-34	1,720,000	68,800	-	-	-	1,788,800
	<u>\$ 87,448,900</u>	<u>\$ 26,058,593</u>	<u>\$ 5,696,100</u>	<u>\$ 1,521,241</u>	<u>\$ 1,354,136</u>	<u>\$ 122,078,970</u>

LAUREL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year Ended June 30, 2015

NOTE F - LONG-TERM OBLIGATIONS – CONTINUED

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

<u>Governmental Activities</u>	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2015</u>
Bonded debt obligations	\$ 98,615,000	\$ 28,335,000	\$ 33,805,000	\$ 93,145,000
KISBIT Novation	1,220,557	-	390,190	830,367
Accrued sick leave	552,592	-	32,499	520,093
	<u>\$ 100,388,149</u>	<u>\$ 28,335,000</u>	<u>\$ 34,227,689</u>	<u>\$ 94,495,460</u>

School Building Refunding Revenue Bonds

In March 2015, the Laurel County School Finance Corporation issued \$12,870,000 in School Building Revenue Bonds with interest ranging from 3.0% - 4.0% over the life of the bonds. The net proceeds were placed in escrow and will be used to pay off the School Building Revenue Bond Issue from 2006 resulting in gross savings of \$1,287,944 over the remaining life of the bonds.

In March 2015, the Laurel County School Finance Corporation issued \$15,465,000 in School Building Revenue Bonds with interest rate of 4.0% over the life of the bonds. The net proceeds were placed in escrow and will be used to pay off \$15,495,000 of the \$18,830,000 outstanding School Building Revenue Bond Issue from 2007, with the remaining principal of \$3,335,000 to be paid off over the next two years. The refunding will result in gross savings of \$1,178,802 over the remaining life of the bonds.

NOTE G - RETIREMENT PLANS

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

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

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

LAUREL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2015

NOTE G – RETIREMENT PLANS – CONTINUED

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

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

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

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

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

General information about the Teachers' Retirement System of the State of Kentucky ("KTRS")

Plan description—Teaching certified employees of the District and other employees whose positions require at least a college degree are provided pensions through the Teachers' Retirement System of the State of Kentucky (KTRS)—a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. KTRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the

LAUREL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2015

NOTE G – RETIREMENT PLANS – CONTINUED

Commonwealth's financial statements. KTRS issues a publicly available financial report that can be obtained at http://www.ktrs.ky.gov/05_publications/index.htm.

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

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

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

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

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

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

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

LAUREL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2015

NOTE G – RETIREMENT PLANS – CONTINUED

Medical Insurance Plan

Plan description—In addition to the pension benefits described above, KRS 161.675 requires KTRS to provide post-employment healthcare benefits to eligible employees and dependents. The KTRS Medical Insurance Fund is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

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

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

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

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

District's proportionate share of the CERS net pension liability	\$ 12,704,000
Commonwealth’s proportionate share of the KTRS net pension liability associated with the District	<u>237,453,532</u>
	<u>\$ 250,157,532</u>

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

The District’s proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2014, the District’s proportion was 0.391572%.

LAUREL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2015

NOTE G – RETIREMENT PLANS – CONTINUED

For the year ended June 30, 2015, the District recognized pension expense of \$1,443,944 related to CERS and \$11,635,706 related to KTRS. The District also recognized revenue of \$11,635,706 for KTRS support provided by the Commonwealth. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	1,418,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
District contributions subsequent to the measurement date	<u>1,660,614</u>	<u>-</u>
Total	<u><u>\$ 1,660,614</u></u>	<u><u>\$ 1,418,000</u></u>

\$1,660,614 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2016	\$ 283,600
2017	\$ 283,600
2018	\$ 283,600
2019	\$ 283,600
2020	\$ 283,600

LAUREL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
 Year ended June 30, 2015

NOTE G – RETIREMENT PLANS – CONTINUED

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

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

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

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

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

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

LAUREL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2015

NOTE G – RETIREMENT PLANS – CONTINUED

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

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

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	6.75%	7.75%	8.75%
District's proportionate share of net pension liability	\$ 16,717,708	\$ 12,704,000	\$ 9,157,929
KTRS	4.23%	5.23%	6.23%
District's proportionate share of net pension liability	\$ -	\$ -	\$ -

LAUREL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2015

NOTE G – RETIREMENT PLANS – CONTINUED

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

The District also offers employees the option to participate in a defined contribution plan under Section 403(B), 401(K) and 457 of the Internal Revenue Code. All employees are eligible to participate and may contribute up to the maximum amount allowable by law. The District does not contribute to these plans

The District's total payroll for the year was \$45,505,503. The payroll for employees covered under KTRS was \$36,514,179 and for CERS was \$9,400,267; the payroll for part time temporary employees, which are not covered under either retirement system, was \$408,943.

The contribution requirement for CERS for the year ended June 30, 2015, 2014 and 2013 was \$2,158,296, \$2,164,701, and \$2,350,354, respectively. The contribution requirement for KTRS for the year ended June 30, 2015, 2014 and 2013 was \$5,624,193, \$5,027,667, and \$4,837,206, respectively. The District met their contribution requirements.

NOTE H - LEASES

The District leases maintenance equipment when needed and office copiers on an annual basis under operating leases. For the year ended June 30, 2015, aggregate cost for equipment and copier rentals was \$329,257.

NOTE I - CONTINGENCIES

Grants - 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 on the grantor's review the funds are considered not to have been used for the intended purpose, the grantor may request a refund of funds advanced, or refuse to reimburse the District for its disbursements, and the collectability of any related receivables as of June 30, 2015 may be impaired. 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.

NOTE J - LITIGATION

The District is subject to legal actions in various states 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 financial statements as a result of the cases presently in progress.

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

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

LAUREL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
 Year ended June 30, 2015

NOTE K – CHANGE IN ACCOUNTING PRINCIPLE AND RELATED CHANGES TO CERTAIN BEGINNING BALANCES - CONTINUED

pension liability, pension expense and pension-related assets and liabilities based on their proportionate share of the collective amounts for all governments in the plan.

GASB 68 required retrospective application. Since the District only presents one year of financial information, the beginning net pension was adjusted to reflect the retrospective application. The adjustment resulted in a \$12,678,056 reduction in beginning net position on the Statement of Activities and an increase of \$1,660,614 of deferred outflows of resources – District contributions subsequent to the measurement date. The reduction in beginning net position was \$2,108,361 allocated to proprietary funds (food service) and \$10,569,695 allocated to the governmental government wide presentation.

NOTE L - RISK MANAGEMENT

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. Settled claims resulting from these risks have created a potential liability as discussed in Note I-*Contingencies*.

Contributions for workers' compensation coverage are based on premium rates established in conjunction with the insurance carrier, subject to claims experience modifications and discounts.

NOTE M – DEFICIT FUND BALANCES

The District did not have any funds with deficit balances, nor did it have any operating deficit balances at June 30, 2015.

NOTE N – COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency). There were no instances of noncompliance noted.

NOTE O – TRANSFER OF FUNDS

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Matching	General	Special Revenue	Technology Match	\$ 199,133
Operating	General	Construction	Construction	\$ 879,339
Operating	Capital Outlay	Construction	Construction	\$ 829,722
Operating	Building	Construction	Construction	\$ 211,788
Operating	Building	Debt Service	Debt Service	\$ 7,535,278

NOTE P – INTERFUND RECEIVABLES AND PAYABLES

At June 30, 2015, there were no interfund balances outstanding that are reflected in the financial statements.

NOTE Q – ON-BEHALF PAYMENTS

The District receives on-behalf payments for fringe benefits from the Commonwealth of Kentucky. These amounts are included in the fund financial statements.

LAUREL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2015

NOTE Q – ON-BEHALF PAYMENTS - CONTINUED

For the year ended June 30, 2015, total payments of \$14,690,973 were made for life insurance, health insurance, KTRS matching and administrative fees, technology and debt service by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the statement of revenues, expenses and changes in fund balances. The benefit allocation per category was as follows:

Health Insurance	\$ 8,398,924
Life Insurance	15,218
Administrative Fee	104,434
Health Reimbursement Account/Dental/Vision	488,775
Federal Reimbursement of Health Benefits (Reduction)	(671,886)
Kentucky Teacher's Retirement System	5,595,663
Technology	115,781
School Facilities Construction Commission (SFCC) Debt Service	<u>644,064</u>
Total	<u><u>\$ 14,690,973</u></u>

NOTE R - FUND BALANCE DESIGNATIONS

The following funds had non-spendable fund balances as follows:

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
General	\$ 516,519	Supplies inventory

The following funds had restricted fund balances as follows:

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
Construction	\$ 2,484,989	Future Construction
Food Service	\$ 4,782	Purchase obligations
Enterprise	\$ 818	Purchase obligations

The following funds had committed fund balances as follows:

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
General	\$ 2,500,000	Center for Innovation Operation

The following funds had assigned fund balances as follows:

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
General	\$ 587,819	Purchase obligations

NOTE S – SUBSEQUENT EVENTS

Management of the District has evaluated subsequent events through the date of the audit report. No events have occurred subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

LAUREL COUNTY SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 COUNTY EMPLOYEES RETIREMENT SYSTEM
 Year ended June 30, 2015

	<u>District's proportion of net pension liability (asset)</u>	<u>District's proportionate share of the net pension liability (asset)</u>	<u>District's covered-employee payroll</u>	<u>District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
2015	0.39%	\$ 12,704,000	\$ 9,073,895	140.01%	66.80%

* The amounts presented for each fiscal year were determined as of 6/30/14.

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

LAUREL COUNTY SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 COUNTY EMPLOYEES RETIREMENT SYSTEM
 Year ended June 30, 2015

	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	District's covered-employee payroll	Contributions as a percentage of covered-employee payroll
2015	\$ 1,659,036	\$ 1,659,036	\$ -	\$ 9,389,507	17.67%
2014	\$ 1,696,944	\$ 1,696,944	\$ -	\$ 9,073,895	18.70%

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

LAUREL COUNTY SCHOOL DISTRICT
 SCHEDULE OF THE STATE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 KENTUCKY TEACHERS' RETIREMENT SYSTEM
 June 30, 2015

	<u>State's proportion of net pension liability (asset)</u>	<u>State's proportionate share of the net pension liability (asset)</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
2015	100%	\$ 237,453,532	45.59%

* The amounts presented for each fiscal year were determined as of 6/30/14.

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

LAUREL COUNTY SCHOOL DISTRICT
SCHEDULE OF STATE CONTRIBUTIONS
KENTUCKY TEACHERS' RETIREMENT SYSTEM
 June 30, 2015

	<u>Statutorily required contribution</u>	<u>Contributions in relation to the statutorily required contribution</u>	<u>Contribution deficiency (excess)</u>
2015	\$ 5,595,663	\$ 5,595,663	\$ -

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

LAUREL COUNTY SCHOOL DISTRICT
 COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2015

	<u>Capital Outlay Fund</u>	<u>Building Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES				
Liabilities	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances				
Designated for capital projects	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

LAUREL COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2015

	Capital Outlay Fund	Building Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues				
From local sources				
Property taxes	\$ -	\$ 4,597,344	\$ -	\$ 4,597,344
Earnings on investments	-	-	55,672	55,672
State sources				
SEEK	829,722	3,149,722	-	3,979,444
SFCC On-behalf	-	-	644,064	644,064
Federal on-behalf debt service	-	-	109,901	109,901
Total revenues	<u>829,722</u>	<u>7,747,066</u>	<u>809,637</u>	<u>9,386,425</u>
Expenditure				
Debt service	-	-	8,344,915	8,344,915
Total expenditures	<u>-</u>	<u>-</u>	<u>8,344,915</u>	<u>8,344,915</u>
Excess (deficit) of revenues over expenditures	<u>829,722</u>	<u>7,747,066</u>	<u>(7,535,278)</u>	<u>1,041,510</u>
Other Financing Sources (Uses)				
Proceeds from sale of bonds	-	-	28,335,000	28,335,000
Bond premium	-	-	2,896,414	2,896,414
Deposits with escrow agents	-	-	(31,051,069)	(31,051,069)
Cost of issuance	-	-	(180,345)	(180,345)
Operating transfers in	-	-	7,535,278	7,535,278
Operating transfers out	(829,722)	(7,747,066)	-	(8,576,788)
Total other financing sources (uses)	<u>(829,722)</u>	<u>(7,747,066)</u>	<u>7,535,278</u>	<u>(1,041,510)</u>
Net change in fund balance	-	-	-	-
Fund balance July 1, 2014	-	-	-	-
Fund balance June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

LAUREL COUNTY SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES - ELEMENTARY AND MIDDLE SCHOOL ACTIVITY FUNDS
 Year Ended June 30, 2015

School Activity Fund	Cash and Equivalents			Cash and Cash Equivalents		Accounts Receivable	Accounts Payable	Fund Balances
	June 30, 2014	Receipts	Disbursements	June 30, 2015	June 30, 2015	June 30, 2015	June 30, 2015	June 30, 2015
Bush Elementary School	\$ 12,333	\$ 15,073	\$ 18,763	\$ 8,643	\$ 240	\$ -	\$ -	\$ 8,883
Camp Ground Elementary School	15,188	21,626	25,424	11,390	176	-	-	11,566
Cold Hill Elementary School	27,306	39,504	38,774	28,036	129	-	-	28,165
Colony Elementary School	21,406	15,586	25,330	11,662	-	-	-	11,662
Hazel Green Elementary School	12,677	19,839	27,443	5,073	1,135	-	-	6,208
Hunter Hills Elementary School	12,469	43,905	45,359	11,015	-	217	-	10,798
Johnson Elementary School	9,246	26,232	27,875	7,603	100	-	-	7,703
Keavy Elementary School	16,317	8,722	12,980	12,059	4	-	-	12,063
London Elementary School	29,597	37,063	40,330	26,330	-	-	-	26,330
North Laurel Middle School	80,864	188,960	194,144	75,680	-	-	-	75,680
South Laurel Middle School	68,814	152,079	171,594	49,299	289	358	-	49,230
Sublimity Elementary School	24,210	34,522	36,408	22,324	177	220	-	22,281
Wyan-Pine Elementary School	18,124	28,849	23,990	22,983	158	50	-	23,091
Totals	\$ 348,551	\$ 631,960	\$ 688,414	\$ 292,097	\$ 2,408	\$ 845	\$ -	\$ 293,660

Note: Receipts and disbursements do not include current year receivables and payables.

LAUREL COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES -
SOUTH LAUREL HIGH SCHOOL ACTIVITY FUND
Year ended June 30, 2015

	Balances June 30, 2014	Receipts	Disbursements	Transfers in/(out)	Cash and cash equivalents June 30, 2015	Accounts Receivable June 30, 2015	Accounts Payable June 30, 2015	Balances June 30, 2015
Academic Team	\$ 1	\$ 893	\$ 891	\$ -	\$ 3	\$ -	\$ -	\$ 3
Agriculture	9,208	24,446	18,592	(1,577)	13,485	-	-	13,485
Art Department	5	5,856	6,861	1,000	-	-	-	-
Athletics	22,901	97,164	82,660	3,737	41,142	400	11,321	30,221
Athletic Tickets	-	2,800	2,800	-	-	-	-	-
Archery Club	330	4,508	2,926	(718)	1,194	-	180	1,014
Baseball Club	2,000	24,185	26,136	827	876	-	-	876
Beta Club	54	1,230	1,198	-	86	-	-	86
Boys Basketball Club	-	55,162	52,632	(864)	1,666	-	-	1,666
Boys Soccer	1,015	7,747	3,760	(439)	4,563	-	-	4,563
Chorale Club	1	400	-	-	401	-	-	401
Cross Country Sports	2,301	5,582	5,678	(799)	1,406	-	-	1,406
Culinary Skills	487	400	630	35	292	-	-	292
Dance	4,586	73	2,671	-	1,988	-	-	1,988
DECA	1,069	17,642	16,587	(661)	1,463	-	-	1,463
Fashion Club	962	378	403	280	1,217	-	-	1,217
First Priority	1,210	238	47	(128)	1,273	-	-	1,273
Fishing	277	9,229	8,849	100	757	-	-	757
Football Club	2,878	31,070	21,733	534	12,749	-	7,500	5,249
Forensics	2	-	-	(2)	-	-	-	-
F.B.L.A.	114	90	54	(30)	120	-	-	120
F.C.C.L.A	1,606	5,129	4,926	(462)	1,347	-	-	1,347
F.M.D. Club	1	-	-	-	1	-	-	1
FMD #2	750	931	726	82	1,037	-	-	1,037
General	29	2,041	2,518	1,017	569	-	-	569
Girls Basketball Club	6,165	25,041	24,744	(847)	5,615	-	-	5,615
Girls Golf Club	-	-	-	100	100	-	-	100
Girls Softball Club	5,937	4,708	7,116	550	4,079	-	-	4,079

LAUREL COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES -
SOUTH LAUREL HIGH SCHOOL ACTIVITY FUND -CONTINUED
Year ended June 30, 2015

	Balances June 30, 2014	Receipts	Disbursements	Transfers in/(out)	Cash and cash equivalents June 30, 2015	Accounts Receivable June 30, 2015	Accounts Payable June 30, 2015	Balances June 30, 2015
Golf Club	16	-	-	134	150	-	-	150
Guidance Department	4,655	22,042	23,274	(250)	3,173	6,103	-	9,276
Yearbook	5,363	2,091	-	-	7,454	-	-	7,454
Junior Class	4,634	7,950	8,908	(25)	3,651	-	-	3,651
J.R.O.T.C.	4,756	9,600	8,783	(372)	5,201	-	-	5,201
Keyettes	4,709	3,147	3,565	347	4,638	-	-	4,638
Library Department	437	270	392	52	367	-	-	367
National Honor Soc.	-	500	312	-	188	-	-	188
Madrigal	6,749	56,283	54,640	(823)	7,569	-	-	7,569
Marine Biology Club	14	-	-	-	14	-	-	14
Outdoor Club	875	-	-	-	875	-	-	875
Parking	4,993	5,600	8,163	-	2,430	-	-	2,430
PBIS	105	-	-	-	105	-	-	105
Pep Club	3	206	-	(129)	80	-	-	80
Science Club	511	-	-	2	513	-	-	513
Senior Class	1,646	15,180	2,028	691	15,489	-	14,812	677
Spanish Club	27	1,142	20	(450)	699	-	-	699
Special Games	142	500	300	-	342	-	-	342
Staff Vending	624	4,020	4,374	-	270	22	-	292
Swim Team	419	4,934	2,522	(1,360)	1,471	-	-	1,471
Textbooks	1,107	-	-	(1,107)	-	-	-	-
Tennis Club	1	-	90	100	11	-	-	11
Track Club	2,194	8,648	7,584	1,530	4,788	-	3,710	1,078
Volleyball Club	7,636	15,078	18,786	(260)	3,668	-	-	3,668
Varsity Cheerleaders	4,058	18,768	22,020	134	940	-	-	940
Vending Machines	1,599	2,025	1,804	-	1,820	34	-	1,854
4H Club	-	30	-	-	30	-	-	30
MU Alpha Theta	-	2,464	2,275	(30)	159	-	-	159
SLHS Book Club	-	20	20	-	-	-	-	-
Girls Soccer	-	-	-	384	384	-	-	384
Boys Tennis	-	-	90	100	10	-	-	10
Staff Generated	-	220	110	-	110	-	-	110
SLHS Donations	1,886	3,180	1,911	(403)	2,752	-	-	2,752
Total accounts	\$ 123,048	\$ 510,841	\$ 467,109	\$ -	\$ 166,780	\$ 6,559	\$ 37,523	\$ 135,816

LAUREL COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES -
NORTH LAUREL HIGH SCHOOL ACTIVITY FUND
Year ended June 30, 2015

	Balances June 30, 2014	Receipts	Disbursements	Transfers in (out)	Cash and cash equivalent June 30, 2015	Accounts Receivable June 30, 2015	Accounts Payable June 30, 2015	Balances June 30, 2015
Academic Team	\$ 114	\$ -	\$ -	\$ -	\$ 114	\$ -	\$ -	\$ 114
Athletic Fund	27,320	274,366	248,041	(20,415)	33,230	2,091	2,538	32,783
Beta Club	1,522	3,054	3,731	-	845	147	-	992
Business Co-op Class	728	-	193	-	535	-	-	535
Bus Transportation	13,425	6,845	15,168	17,679	22,781	-	-	22,781
Charitable Gaming	1	8,025	5,329	-	2,697	-	-	2,697
Dance Team	1	1,410	1,401	-	10	-	-	10
DECA	2	-	-	-	2	-	-	2
Donation Incentives	324	2,951	3,914	704	65	252	-	317
Drama Club	2,398	2,955	2,329	-	3,024	-	-	3,024
Cornhole Club	-	151	-	-	151	-	-	151
First Priority	237	404	520	-	121	-	-	121
Flower Fund - Faculty	3	-	-	-	3	-	-	3
Fishing Club	231	5,200	5,205	-	226	-	-	226
F.B.L.A.	325	-	-	-	325	-	-	325
F.C.A	514	56	-	-	570	-	-	570
F.C.C.L.A	275	863	417	(392)	329	-	-	329
FFA	2,996	22,307	25,405	750	648	-	113	535
F.M.D Club	646	8,208	7,855	(440)	559	-	-	559
Future Educators	900	-	188	-	712	-	-	712
General	979	24,211	22,690	1,887	4,387	-	-	4,387
Junior Class	5,637	7,793	9,953	-	3,477	-	-	3,477
Kuna	-	7,691	7,309	-	382	-	-	382
KY JR Hist Soc	-	3,271	3,260	-	11	-	-	11
Library	254	87	-	-	341	-	-	341
Marching Band	1	825	826	-	-	-	-	-
National Honor Society	142	1,489	935	(480)	216	-	-	216
North Financial	582	85,630	86,405	193	-	-	-	-

LAUREL COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES -
NORTH LAUREL COUNTY HIGH SCHOOL ACTIVITY FUND - CONTINUED
Year ended June 30, 2015

	Balances June 30, 2014	Receipts	Disbursements	Transfers in (out)	Cash and cash equivalent June 30, 2015	Accounts Receivable June 30, 2015	Accounts Payable June 30, 2015	Balances June 30, 2015
N.J.R.O.T.C	4,444	7,090	6,363	-	5,171	-	-	5,171
Pep Club	116	308	411	-	13	-	-	13
Rodeo Club	501	690	271	(750)	170	-	-	170
Science Club	795	1,519	2,040	47	321	-	-	321
Senior Class	-	14,063	14,048	55	70	-	-	70
Singing Jags	-	9,879	10,899	1,050	30	-	-	30
Spanish Club	13	30	-	-	43	-	-	43
Student Council	228	-	-	-	228	-	-	228
Student Flower Fund	3	-	-	-	3	-	-	3
Student Vending	227	5,364	7,974	2,383	-	248	-	248
Teacher Vending	944	5,794	5,329	-	1,409	206	-	1,615
Textbook Replacement	739	1,429	293	(1,875)	-	-	-	-
The Board Game	-	90	75	-	15	-	-	15
TSA	-	302	280	-	22	-	-	22
Activity 79	-	270	-	(270)	-	-	-	-
Yearbook	3,423	9,942	7,546	270	6,089	-	-	6,089
Young Democrats	5	-	-	(5)	-	-	-	-
Change Order	-	6,000	6,000	-	-	-	-	-
Youth Service Center	4,195	2,037	2,418	(391)	3,423	-	-	3,423
Total accounts	\$ 75,190	\$ 532,599	\$ 515,021	\$ -	\$ 92,768	\$ 2,944	\$ 2,651	\$ 93,061

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

LAUREL COUNTY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. Department of Education			
Passed through the Kentucky Department of Education:			
<i>Title I, Part A Cluster</i>			
Title I Grants to Local Educational Agencies	84.010	3210002 13	\$ 105,343
Title I Grants to Local Educational Agencies	84.010	3210002 14	305,691
Title I Grants to Local Educational Agencies	84.010	3210002 15	2,515,180
Title I Grants to Local Educational Agencies	84.010	3204	5,000
Title I Grants to Local Educational Agencies	84.010	314A	<u>22,628</u>
<i>Total Title I, Part A Cluster</i>			<u>2,953,842</u>
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	3160002 14	164,200
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	3160002 15	<u>434,712</u>
			<u>598,912</u>
<i>Special Education Cluster (IDEA)</i>			
Special Education--Grants to States	84.027	3810002 13	9,275
Special Education--Grants to States	84.027	3810002 14	59,228
Special Education--Grants to States	84.027	3810002 15	<u>1,665,809</u>
			<u>1,734,312</u>
Special Education--Preschool Grants	84.173	3800002 14	11,892
Special Education--Preschool Grants	84.173	3800002 15	<u>41,758</u>
			<u>53,650</u>
<i>Total Special Education Cluster</i>			<u>1,787,962</u>
Title I - Neglected and Delinquent Children	84.013	3134	11,323
Title I - Neglected and Delinquent Children	84.013	313A	<u>13,730</u>
			<u>25,053</u>
Career and Technical Education--Basic Grants to States	84.048	4621032 13	1,900
Career and Technical Education--Basic Grants to States	84.048	4621032 14	1,465
Career and Technical Education--Basic Grants to States	84.048	4621132 15	<u>114,063</u>
			<u>117,428</u>
Rural Education	84.358	3140002 14	24,849
Rural Education	84.358	3140002 15	<u>95,982</u>
			<u>120,831</u>
Improving Teacher Quality State Grants	84.367	3230002 15	<u>532,817</u>
Race to the Top	84.413	4521	<u>3,465</u>
Total U.S. Department of Education			<u>6,140,310</u>
U.S. Department of Agriculture			
Passed through the Kentucky Department of Education			
<i>Child Nutrition Cluster</i>			
National School Lunch Program	10.555	7750002 14	600,398
National School Lunch Program	10.555	7750002 15	2,072,771
School Breakfast Program	10.553	7760005 14	208,836
School Breakfast Program	10.553	7760005 15	711,945
Summer Food Services Program for Children	10.559	7760005 15	10,750
National School Lunch Program	10.555	77500002 15	<u>239,508</u>
<i>Total Child Nutrition Cluster</i>			<u>3,844,208</u>
Fresh Fruits & Vegetable Program	10.582	7720012 14	<u>-</u>
Total U.S. Department of Agriculture			<u>3,844,208</u>

LAUREL COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)

Year Ended June 30, 2015

U.S. Department of Defense

Direct Program

ROTC Miscellaneous	12.000	5041	5,126
Naval Junior Reserve Officer Training Corps	12.000	504AN	60,382
Air Force Junior Reserve Officer Training Corps	12.000	504AA	<u>53,501</u>

Total U.S. Department of Defense 119,009

Total cash expenditures \$ 10,103,527

LAUREL 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 (Schedule) includes the federal grant activity of the Laurel County School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – IN-KIND COMMODITIES

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. The District no longer maintains a separate commodities inventory due to changes in program regulations. Commodities are included under the Child Nutrition Cluster. The valued amount of commodities received for June 30, 2015 is \$239,508.

NOTE C – CLUSTER PROGRAMS

The following CFDA numbers are considered cluster programs:

Special Education Cluster	
Special Education Grants to States	84.027
Special Education – Preschool Grants	84.173
Child Nutrition Cluster	
National School Lunch Program	10.555
National School Breakfast Program	10.553
Special Milk Program for Children	10.556
Summer Food Services for Children	10.559
WIA Cluster	
WIA Adult Program	17.258
WIA Youth Activities	17.259
WIA Dislocated Worker Formula Grants	17.260



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

Independent Auditor's Report

Kentucky State Committee for
School District Audits
Members of the Board of Education
Laurel County School District
London, 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 audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Appendix I to the Independent Auditor's Contract-General Audit Requirements* and *Appendix II to the Independent Auditor's Contract-State Audit Requirements*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Laurel County School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Laurel County School District's basic financial statements, and have issued our report thereon dated November 9, 2015.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Laurel County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions



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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 test disclosed no instances of material noncompliance of specific state statutes or regulations identified in *Appendix II of the Independent Auditor's Contract-State Audit Requirements*.

We have reported additional matters, if any, to the management of Laurel County School district in a separate letter dated November 9, 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cloyd & Associates, PSC

Cloyd & Associates, PSC
London, Kentucky
November 9, 2015



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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS REQUIRED BY OMB CIRCULAR A-133**

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited Laurel County School District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Laurel County School District's major federal programs for the year ended June 30, 2015. The Laurel 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 Laurel 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 audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Independent Auditor's Contract-General Audit Requirements*, and *Appendix II to the Independent Auditor's Contract-State Audit Requirements*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Laurel 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 Laurel County School District's compliance.

Opinion on Each Major Federal Program

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



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Certified Public Accountants

Report on Internal Control over Compliance

Management of Laurel 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 Laurel County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Laurel County School District's internal control over compliance.

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

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

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the Laurel County School District, as of and for the year ended June 30, 2015, and have issued our report thereon dated November 9, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material aspects in relation to the basic financial statements as a whole.

Purpose of this Report

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.

Cloyd & Associates, PSC

Cloyd & Associates, PSC
London, Kentucky
November 9, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LAUREL COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2015

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditors' report issued		Unmodified	
Internal control over financial reporting:			
Material weakness identified	_____	Yes	<input checked="" type="checkbox"/> No
Significant deficiencies identified that are not considered to be material weaknesses	_____	Yes	<input checked="" type="checkbox"/> None reported
Noncompliance material to financial statement noted	_____	Yes	<input checked="" type="checkbox"/> No

Federal Awards

Internal control over major programs:			
Material weaknesses identified	_____	Yes	<input checked="" type="checkbox"/> No
Significant deficiencies identified that are not considered to be material weaknesses	_____	Yes	<input checked="" type="checkbox"/> None reported
Type of auditors' report issued on compliance for major programs		Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	_____	Yes	<input checked="" type="checkbox"/> No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Special Education Cluster	
Special Education Grants to States	84.027
Special Education – Preschool Grants	84.173
Child Nutrition Cluster	
National School Lunch Program	10.555
National School Breakfast Program	10.553
Special Milk Program for Children	10.556
Summer Food Services for Children	10.559
Improving Teacher Quality State Grants	84.367
Dollar threshold used to distinguish between Type A and Type B program	\$303,106
Auditee qualified as low risk	<input checked="" type="checkbox"/> Yes _____ No

(continued)

LAUREL COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED
Year Ended June 30, 2015

Section II – Financial Statement Findings

None

Section III – Federal Award Findings

None

LAUREL COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2015

Status of Prior Year Findings

There were no prior year audit findings.

MANAGEMENT LETTER COMMENTS



Cloyd & Associates, PSC
Certified Public Accountants

Members of the Board of Education
Laurel County School District
London, Kentucky

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

During our audit we note matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters, if any. This letter does not affect our report thereon dated November 9, 2015, on the basic financial statements of Laurel County School District.

Respectfully,

Cloyd & Associates, PSC

Cloyd & Associates, PSC
London, Kentucky
November 9, 2015

LAUREL COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
June 30, 2015

Prior Year Comments – School Activity Funds

There were no comments in the prior year.

Current Year Comments –School Activity Funds

No current year comments were noted.