

MONROE COUNTY SCHOOL DISTRICT

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YEAR ENDED JUNE 30, 2015

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MONROE COUNTY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the Independent Auditor's Contract. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Monroe County Board of Education, Kentucky, as of June 30, 2015, and the respective changes in

financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note O to the financial statements, the District adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, GASB Statement No. 69, Government Combinations and Disposals of Government Operations, GASB Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees and GASB No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68. Our Opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United State of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 54 through 56 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 Monroe County Board of Education's financial statements.

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

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

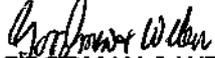
The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

These statements and schedule are management's responsibility, and derive from and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. We subjected these statements and schedules to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling

schedules directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, these statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated November 7, 2015, on our consideration of Monroe County Board of Education's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Monroe County Board of Education's internal control over financial reporting and compliance.



GOODMAN & WEBER, P.S.C.

Certified Public Accountants

Louisville, Kentucky

December 1, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

**MONROE COUNTY BOARD OF EDUCATION
TOMPKINSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

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

MISSION STATEMENT:

With the support of parents, school, and community, the mission of the Monroe County School District is to provide a comprehensive learning environment for children to prepare for lifelong learning and achievement in a changing society and a complex world.

FINANCIAL HIGHLIGHTS

- The beginning General Fund cash balance for the District was \$1,105,255.
- Long-range plans for facilities include focusing on investing in a 3 year lease turn around on mowers for the district.
- District purchased a new wheelchair-accessible school bus with KISTA funding.
- Roy Anderson Lumber Company provided funding for a new computer lab at the Monroe County High School. This lab known as the "Roy Anderson Lumber Center for College and Career Development" will serve dual credit classes, online classes, and assist in all students becoming college and career ready.
- Mandatory 1% salary increase for school staff members.
- Utilized state flexibility for use of Capital Outlay funds to offset general fund expenditures to pay property insurance.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

**MONROE COUNTY BOARD OF EDUCATION
TOMPKINSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015 (continued)**

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

The Government-wide Financial Statements can be found on pages 10 and 11 of this report.

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

The basic Governmental Funds Financial Statements can be found on pages 12-15 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-53 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$6.6 million as of June 30, 2015.

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

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

**MONROE COUNTY BOARD OF EDUCATION
TOMPKINSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015 (continued)**

Net Position for the period ending June 30, 2015

ASSETS	Government Activities		Business-type Activities		Total	
	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>6/30/2015</u>	<u>6/30/2014</u>
Current Assets	\$ 1,672,625	\$ 1,237,265	\$ 98,485	\$ 78,060	\$ 1,771,110	\$ 1,315,325
Noncurrent Assets	<u>25,632,258</u>	<u>26,312,961</u>	<u>1,335,303</u>	<u>1,409,068</u>	<u>26,967,561</u>	<u>27,722,029</u>
TOTAL ASSETS	<u>\$ 27,304,883</u>	<u>\$ 27,550,226</u>	<u>\$ 1,433,788</u>	<u>\$ 1,487,128</u>	<u>\$ 28,738,671</u>	<u>\$ 29,037,354</u>
 Deferred Outflows	 \$ 463,825		 \$ 88,768		 \$ 552,593	
 LIABILITIES						
Current Liabilities	\$ 1,968,390	\$ 2,028,857	\$ 197	\$ -	\$ 1,968,587	\$ 2,028,857
Noncurrent Liabilities	<u>19,560,488</u>	<u>17,379,897</u>	<u>710,412</u>	<u>-</u>	<u>20,270,900</u>	<u>17,379,897</u>
TOTAL LIABILITIES	\$ 21,528,878	\$ 19,408,754	\$ 710,609	\$ -	\$ 22,239,487	\$ 19,408,754
 Deferred Inflows	 \$ 365,769		 \$ 79,231		 \$ 445,000	
 Net Position						
Investment in Capital Assets (net of related debt)	\$ 8,080,972	\$ 7,789,107	\$1,335,303	\$ 1,409,068	\$ 9,416,275	\$ 9,198,175
Restricted	6,491	6,491	-	-	6,491	6,491
Non-Restricted	<u>(2,213,402)</u>	<u>345,874</u>	<u>(602,587)</u>	<u>78,060</u>	<u>(2,815,989)</u>	<u>423,934</u>
TOTAL NET POSITION	<u>\$ 5,874,061</u>	<u>\$ 8,141,472</u>	<u>\$ 732,716</u>	<u>\$ 1,487,128</u>	<u>\$ 6,606,777</u>	<u>\$ 9,628,600</u>

**MONROE COUNTY BOARD OF EDUCATION
TOMPKINSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015 (continued)**

Comments on Budget Comparisons

- The District's FY revenue for the fiscal year ended June 30, 2015 was \$20.3 million.
- The General Fund's total revenues were \$14.7 million, higher than budgeted by 36%. The expenditures of the General Fund amounted to \$14.3 million or 23% higher than budgeted. After considering transfers and adjustments, the fund balance rose \$404,306.
- The Special Revenue Fund's total revenue was \$3.7 million, higher than budgeted by 9.2%. Expenditures totaled \$3.7 million, higher than the budget by 9.3%.

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

	<u>2015</u>			<u>2014</u>		
	<u>Government Activities</u>	<u>Business Type Activities</u>	<u>Total</u>	<u>Government Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Program Revenues:						
Charges for services	\$ 362,782	\$ 352,720	\$ 715,502	\$ 195,212	\$ 330,134	\$ 525,346
Operating grants	7,266,162	1,476,423	8,742,585	3,817,008	1,406,129	5,223,137
Capital grants	208,996	-	208,996	-	-	-
General Revenues:						
Taxes	3,635,636	-	3,635,636	3,499,534	-	3,499,534
State aid formula grant	8,698,773	-	8,698,773	11,958,971	-	11,958,971
Investment earnings	24,811	696	25,507	23,885	517	24,402
All other	100,550	-	100,550	88,903	(88,903)	-
Total Revenues	\$ 20,297,710	\$ 1,829,839	\$ 22,127,549	\$ 19,583,513	\$ 1,647,877	\$ 21,231,390
Program Expenses						
Instruction	\$ 10,847,005	\$ -	\$ 10,847,005	\$ 11,382,373	\$ -	\$ 11,382,373
Student Support	957,743	-	957,743	999,242	-	999,242
Instruction Staff	1,028,517	-	1,028,517	1,151,826	-	1,151,826
District Administration	366,611	-	366,611	360,787	-	360,787
School Administration	1,448,970	-	1,448,970	1,348,319	-	1,348,319
Business Support	488,775	-	488,775	466,733	-	466,733
Plant Operations	1,988,659	-	1,988,659	2,133,407	-	2,133,407
Student Transportation	1,111,609	-	1,111,609	1,129,389	-	1,129,389
Community Support	246,778	-	246,778	230,394	-	230,394
Interest on long-term debt	417,245	-	417,245	427,973	-	427,973
Food Service	-	1,624,761	1,624,761	-	1,567,842	1,567,842
Day Care	-	130,698	130,698	-	129,584	129,584
Transfers	-	95,947	95,947	-	-	-
Total Expenses	\$ 18,901,912	\$ 1,851,406	\$ 20,753,318	\$ 19,630,443	\$ 1,697,426	\$ 21,327,869
Change in Net Position:	\$ 1,395,798	\$ (21,567)	\$ 1,374,231	\$ (46,930)	\$ (49,549)	\$ (96,479)
Net Position before Adj.	8,141,472	1,487,128	9,628,600	8,371,997	1,536,677	9,908,674
Adjustments	(3,663,209)	(732,845)	(4,396,054)	(183,595)	-	(183,595)
Net Position Ending	\$ 5,874,061	\$ 732,716	\$ 6,606,777	\$ 8,141,472	\$ 1,487,128	\$ 9,628,600

**MONROE COUNTY BOARD OF EDUCATION
TOMPKINSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015 (continued)**

Governmental Activities

Instruction comprises 58% of governmental program expenses. Support services expenses make up 40% of government expenses. The remaining expense for interest accounts for the remaining 2% of total government expense.

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

	Governmental Activities			
	Total Cost of Services		Net Cost of Services	
	<u>6/30/15</u>	<u>6/30/14</u>	<u>6/30/15</u>	<u>6/30/14</u>
Instruction	\$10,847,005	\$ 11,382,373	\$ 5,621,571	\$ 8,391,368
Support Services	7,637,662	7,820,097	5,065,774	6,798,882
Interest on long-term debt	<u>417,245</u>	<u>427,973</u>	<u>376,627</u>	<u>427,973</u>
Total Expenses	<u>\$18,901,912</u>	<u>\$19,630,443</u>	<u>\$11,063,972</u>	<u>\$15,618,223</u>

Business-Type Activities

The business-type activities include the food service and day care operations. These programs had total revenues of \$1.8 million and expenses of \$1.8 million for fiscal year 2015. Of the revenues, \$352,720 was charges for services, \$1,476,423 was from State and Federal Grants, and \$694 was from investment earnings. Business activities receive no support from tax revenues.

Capital Assets

At the end of fiscal year 2015 the School District had \$27 million invested in land, buildings, equipment, and construction in progress. The following table shows fiscal year 2015 balances:

	2015			2014		
	Government Activities	Business Type Activities	Total	Government Activities	Business Type Activities	Total
Land	\$ 531,690	\$ -	\$ 531,690	\$ 531,690	\$ -	\$ 531,690
Land Improvements	-	-	-	-	-	-
Buildings	24,336,573	1,200,217	25,536,790	25,203,897	1,234,470	26,438,367
Technology	222,403	1,131	223,534	299,984	3,392	303,376
Vehicles	379,329	-	379,329	172,957	-	172,957
Equipment	<u>162,263</u>	<u>133,955</u>	<u>296,218</u>	<u>104,433</u>	<u>171,206</u>	<u>275,639</u>
Total	<u>\$ 25,632,258</u>	<u>\$ 1,335,303</u>	<u>\$26,967,561</u>	<u>\$ 26,312,961</u>	<u>\$ 1,409,068</u>	<u>\$ 27,722,029</u>

**MONROE COUNTY BOARD OF EDUCATION
TOMPKINSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015 (continued)**

DEBT

At the end of fiscal year 2015, the School District had \$16,640,000 outstanding in bonds issued. This is a reduction from \$18,055,000 for the previous year by \$1,415,000. This reduction is attributed to a bond refunding in the amount of \$1,055,000 more than offset by payments of bonds from the previous year.

BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1- June 30; other programs, i.e. some federal programs, operate on a different fiscal calendar, but are reflected in the District's overall budget. By law the budget must have a minimum 2% contingency. The District adopted a budget with \$350,000 in contingency. Other budgetary implications:

- Reduction in state and federal grant funds
- Insufficient funding of the state transportation formula
- CERS rates went from 18.96% to 19.55%
- KTRS required match went from 1.0% to 1.5%
- No salary increase for certified or classified personnel.
- ADA

The Monroe County Board of Education adopted the four percent (4%) tax rate increase for FY 2015. Property taxes are levied annually usually in October on the assessed value for all real and personal property in the district as of January 1st of the prior year. However, this revenue is not received until the months of November - February which means that the general fund's beginning balance is used to pay much of the first few months of expenditures. It is very important to have a substantial beginning balance to start the beginning of each year.

Questions regarding this report should be directed to the Superintendent, Amy W. Thompson, or to Kathy Haile, Chief Finance Officer, (270) 487-5456 or by mail at 309 Emberton Street, Tompkinsville, Kentucky 42167.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**MONROE COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION**

June 30, 2015

	Government Activities	Business Type Activities	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 926,465	\$ 46,589	\$ 973,054
Inventory	-	16,448	16,448
Accounts Receivable	-	-	-
Taxes-current	35,775	-	35,775
Intergovernmental- Indirect Federal	710,385	35,448	745,833
Total Current Assets	\$ 1,672,625	\$ 98,485	\$ 1,771,110
Noncurrent Assets			
Non-depreciable Capital Assets	\$ 531,690	\$ -	\$ 531,690
Capital assets(Net of depreciation)	25,100,568	1,335,303	26,435,871
Total Non-Current Assets	\$ 25,632,258	\$ 1,335,303	\$ 26,967,561
Total Assets	\$ 27,304,883	\$ 1,433,788	\$ 28,738,671
Deferred Outflows			
Deferred on CERS	\$ 409,794	\$ 88,768	\$ 498,562
Deferred Amount of Bond refunding	54,031	-	54,031
Total Deferred Outflows	\$ 463,825	\$ 88,768	\$ 552,593
Liabilities			
Current Liabilities			
Accounts Payable	\$ -	\$ 197	\$ 197
Unearned revenue	126,936	-	126,936
Current portion of bond obligations	1,275,000	-	1,275,000
Current portion of capital lease obligations	109,059	-	109,059
Current portion of compensated absences	50,503	-	50,503
Interest payable	406,892	-	406,892
Total Current Liabilities	\$ 1,968,390	\$ 197	\$ 1,968,587
Noncurrent Liabilities			
Noncurrent portion of bond obligations	\$ 15,365,000	-	\$ 15,365,000
Add bond premium	11,540	-	11,540
Noncurrent portion of capital lease obligations	474,937	-	474,937
Noncurrent portion of compensated absences	429,423	-	429,423
Accrued Pension Liability	3,279,588	710,412	3,990,000
Total Noncurrent Liabilities	\$ 19,560,488	\$ 710,412	\$ 20,270,900
Total Liabilities	\$ 21,528,878	\$ 710,609	\$ 22,239,487
Deferred Inflows			
CERS	\$ 365,769	\$ 79,231	\$ 445,000
Total Deferred Inflows	\$ 365,769	\$ 79,231	\$ 445,000
Net Position			
Net investment in capital assets	\$ 8,080,972	\$ 1,335,303	\$ 9,416,275
Restricted for:			
SFCC	6,491	-	6,491
Unrestricted	(2,213,402)	(602,587)	(2,815,989)
Total Net Position	\$ 5,874,061	\$ 732,716	\$ 6,606,777

MONROE COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR YEAR ENDED JUNE 30, 2015

	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Business-Type Activities
FUNCTIONS/PROGRAMS				
Governmental Activities:				
Instruction	\$ 10,847,005	\$ 88,748	\$ -	\$ (5,621,571)
Support services:				
Student	957,743	259,765		(289,665)
Instruction staff	1,028,517	487,031		(541,486)
District administrative	366,611	58,837		(307,774)
School administrative	1,448,970	400,609		(1,048,361)
Business	488,775	91,615		(397,160)
Plant operation and maintenance	1,988,659	265,833		(1,712,803)
Student transportation	1,111,609	183,795		(927,814)
Facilities acquisition and construction	-	233,443	168,378	168,378
Community service activities	246,778	-	(9,089)	(9,089)
Interest on long-term debt	417,245	-	40,618	(376,627)
Total governmental activities	\$ 18,901,912	\$ 362,782	\$ 208,996	\$ (11,063,972)
Business-Type Activities:				
Food service	\$ 1,624,761	\$ 241,275	\$ -	\$ 65,577
Day Care	130,698	111,445	-	8,107
Total business-type activities	\$ 1,755,459	\$ 352,720	\$ -	\$ 73,684
Total Primary Government	\$ 20,657,371	\$ 715,502	\$ 208,996	\$ (10,990,288)

GENERAL REVENUES:

From local sources:			
Taxes:			
Property taxes	\$ 1,834,264	\$ -	\$ 1,834,264
Motor vehicles taxes	328,143	-	328,143
Utilities taxes	835,299	-	835,299
Other local revenue	637,929	-	637,929
Investment earnings	24,811	696	25,507
Gain (Loss) on asset disposal	4,603	-	4,603
State and formula grants	8,698,774	-	8,698,774
Transfers	95,947	(95,947)	-
Total General Revenues	\$ 12,459,770	\$ (95,251)	\$ 12,364,519
Change in net position	\$ 1,395,798	\$ (21,567)	\$ 1,374,231
Net position- beginning before adjustment	8,141,472	1,487,128	9,628,600
Adjustment (See note N)	(3,663,209)	(732,845)	(4,396,054)
Net position- ending	\$ 5,874,061	\$ 752,716	\$ 6,606,777

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

MONROE COUNTY SCHOOL DISTRICT
 BALANCE SHEET
 GOVERNMENTAL FUNDS

June 30, 2015

	GENERAL FUND	SPECIAL REVENUE FUND	DEBT SERVICE FUND	NON-MAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
Assets					
Cash and cash equivalents	\$ 1,503,423	\$ -	\$ -	\$ 6,491	\$ 1,509,914
Receivables					
Taxes-current	35,775				35,775
Taxes-delinquent					
Intergovernmental- Indirect Federal		710,385			710,385
Total assets	\$ 1,539,198	\$ 710,385		\$ 6,491	\$ 2,256,074
Liabilities and Fund Balances:					
Liabilities					
Bank Overdraft	\$ -	\$ 583,449	\$ -	\$ -	\$ 583,449
Accounts Payable					
Unearned revenue		126,936			126,936
Total liabilities	\$ -	\$ 710,385	\$ -	\$ -	\$ 710,385
Fund Balances					
Restricted:					
SFCC Escrow	\$ -	\$ -	\$ -	\$ 6,491	\$ 6,491
Committed:					
Accrued Sick Leave	83,000				83,000
Unassigned:					
General fund	1,456,198			-	1,456,198
Total fund balances	\$ 1,539,198	\$ -	\$ -	\$ 6,491	\$ 1,545,689
Total liabilities and fund balances	\$ 1,539,198	\$ 710,385	\$ -	\$ 6,491	\$ 2,256,074

MONROE COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2015

Amounts reported for governmental activities in the statement of net position are different because:

Net Changes-Governmental Funds	\$	404,306
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Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation expense for the year.

Depreciation expense	\$	(1,044,427)
Capital outlays		<u>363,788</u>
	\$	<u>(680,639)</u>

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

Bond principal paid	\$	2,470,000
Bond proceeds		<u>(1,055,000)</u>
	\$	<u>1,415,000</u>

Deferred outflow CERS contributions made after the measurement Date	\$	365,769
---	----	---------

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>(108,638)</u>
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Changes in Net Position of Governmental Activities	\$	<u>1,395,798</u>
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MONROE COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	GENERAL FUND	SPECIAL REVENUE	DEBT SERVICE FUND	NON MAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
From local sources:					
Taxes:					
Property	\$ 1,414,480	\$ -	\$ -	\$ 419,784	\$ 1,834,264
Motor vehicle	328,143	-	-	-	328,143
Utilities	835,299	-	-	-	835,299
Other Taxes	22,931	-	-	-	22,931
Earnings on investments	24,811	-	-	-	24,811
Other local revenues	-	88,748	-	-	88,748
Other revenues	57,286	298,075	-	-	355,361
Revenue In lieu of taxes	170,890	-	-	-	170,890
Intergovernmental - state	11,809,248	1,073,080	1,188,688	168,378	14,239,394
Intergovernmental - indirect federal	37,820	2,259,500	-	-	2,297,320
TOTAL REVENUES	\$ 14,700,908	\$ 3,719,403	\$ 1,188,688	\$ 588,162	\$ 20,197,161
EXPENDITURES:					
Current:					
Instruction	\$ 7,493,440	\$ 2,946,445	\$ -	\$ -	\$ 10,439,885
Support Services:					
Student	764,902	195,233	-	-	960,135
Instructional staff	780,927	251,462	-	-	1,032,389
District administration	348,258	-	-	-	348,258
School administration	1,462,705	-	-	-	1,462,705
Business	498,281	-	-	-	498,281
Plant operations and maintenance	1,887,999	85,724	-	-	1,973,723
Student transportation	1,054,476	39,194	-	-	1,093,670
Community service activities	22,696	226,345	-	-	249,041
Debt service:					
Principal	-	-	2,635,939	-	2,635,939
Interest	-	-	350,934	-	350,934
TOTAL EXPENDITURES	\$ 14,313,684	\$ 3,744,403	\$ 2,986,873	\$ -	\$ 21,044,960
Excess (deficit) of revenues over expenditures	\$ 387,224	\$ (25,000)	\$ (1,798,185)	\$ 588,162	\$ (847,799)
OTHER FINANCING SOURCES (USES):					
Capital lease proceeds	\$ 83,733	\$ -	\$ -	\$ -	\$ 83,733
Bond proceeds	-	-	1,067,822	-	1,067,822
Sale of fixed assets	4,603	-	-	-	4,603
Transfers in	272,117	25,000	730,363	-	1,027,480
Transfers out	(343,371)	-	-	(588,162)	(931,533)
TOTAL OTHER FINANCING SOURCES (USES)	\$ 17,082	\$ 25,000	\$ 1,798,185	\$ (588,162)	\$ 1,252,105
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	\$ 404,306	\$ -	\$ -	\$ -	\$ 404,306
FUND BALANCES, July 1, 2014	1,134,892	-	-	6,491	1,141,383
FUND BALANCES, June 30, 2015	\$ 1,539,198	\$ -	\$ -	\$ 6,491	\$ 1,545,689

**MONROE COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2015**

Total Net Change in Fund Balance - Governmental Funds \$ 404,306

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the period. (341,633)

Bond re-issue reported as income in government funds but the receipt increases long-term liabilities in the statement of net position. (1,055,000)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 2,635,939

Expenditures reported in the fund financial statements are recognized when the current financial resources is used. However, expenses in the statement of activities are recognized when they are incurred.

Interest Payments	(67,824)
Compensated Absences	5,753
Capital Leases	<u>(239,774)</u>

Change in Net Position of Governmental Activities \$ 1,341,767

PROPRIETARY FUND FINANCIAL STATEMENTS

MONROE COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS

JUNE 30, 2015

	<u>FOOD SERVICE</u>	<u>DAY CARE OPERATIONS</u>	<u>TOTAL</u>
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 40,446	\$ 6,143	\$ 46,589
Inventory	16,448	-	16,448
Accounts receivable			
Intergovernmental- Indirect federal	35,448	-	35,448
Total current assets	<u>\$ 92,342</u>	<u>\$ 6,143</u>	<u>\$ 98,485</u>
Noncurrent Assets			
Capital assets(Net of depreciation)	\$ 1,335,303	\$ -	\$ 1,335,303
Total noncurrent assets	<u>\$ 1,335,303</u>	<u>\$ -</u>	<u>\$ 1,335,303</u>
Total Assets	<u>\$ 1,427,645</u>	<u>\$ 6,143</u>	<u>\$ 1,433,788</u>
Deferred Outflows	\$ 75,906	\$ 12,862	\$ 88,768
Liabilities			
Current Liabilities			
Accounts payable	\$ 197	\$ -	\$ 197
Total current liabilities	<u>\$ 197</u>	<u>\$ -</u>	<u>\$ 197</u>
Noncurrent liabilities			
Pension liabilities	\$ 607,477	\$ 102,935	\$ 710,412
Total non-current liabilities	<u>\$ 607,477</u>	<u>\$ 102,935</u>	<u>\$ 710,412</u>
Total liabilities	\$ 607,674	\$ 102,935	\$ 710,609
Deferred inflows	\$ 67,751	\$ 11,480	\$ 79,231
Net Position			
Net investment in capital assets	\$ 1,335,303	\$ -	\$ 1,335,303
Unrestricted	(507,177)	(95,410)	(602,587)
Total Net Position	<u>\$ 828,126</u>	<u>\$ (95,410)</u>	<u>\$ 732,716</u>

MONROE COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2015

	FOOD SERVICE	DAY CARE OPERATIONS	TOTAL
OPERATING REVENUES:			
Lunchroom sales	\$ 208,044	\$ -	\$ 208,044
Other operating revenues	33,231	111,445	144,676
TOTAL OPERATING REVENUES	\$ 241,275	\$ 111,445	\$ 352,720
OPERATING EXPENSES:			
Salaries and wages	\$ 724,736	\$ 116,341	\$ 841,077
Contract services	17,842	50	17,892
Materials and supplies	803,856	14,282	818,138
Depreciation	72,701	-	72,701
Other operating expenses	5,626	25	5,651
TOTAL OPERATING EXPENSES	\$ 1,624,761	\$ 130,698	\$ 1,755,459
Operating Loss	\$ (1,383,486)	\$ (19,253)	\$ (1,402,739)
NON-OPERATING REVENUES			
Federal grants	\$ 1,207,822	\$ -	\$ 1,207,822
State On-behalf Payments	150,664	22,764	173,428
State grants	11,205	4,596	15,801
Donated commodities	79,372	-	79,372
Interest income	696	-	696
TOTAL NON-OPERATING REVENUES BEFORE TRANSFERS	\$ 1,449,759	\$ 27,360	\$ 1,477,119
Transfers In (Out)	(95,947)	-	(95,947)
Change in net position	\$ (29,674)	\$ 8,107	\$ (21,567)
TOTAL NET POSITION, July 1, 2014	1,484,460	2,668	1,487,128
Adjustment(See note n)	(626,660)	(106,185)	(732,845)
TOTAL NET POSITION, June 30, 2015	\$ 828,126	\$ (95,410)	\$ 732,716

MONROE COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2015

	FOOD SERVICE	DAY CARE	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from:			
Lunchroom sales	\$ 208,044	\$ -	\$ 208,044
Other activities	33,231	111,445	144,676
Cash paid to/for:			
Employees	(582,228)	(96,827)	(679,055)
Supplies	(731,326)	(14,282)	(745,608)
Other activities	(19,353)	(75)	(19,428)
Net cash provided (used) by operating activities	\$ (1,091,632)	\$ 261	\$ (1,091,371)
Cash flows from Non-Capital and Related Financing Activities			
Federal grants	\$ 1,202,226	\$ -	\$ 1,202,226
State grants	11,205	4,596	15,801
Net Cash Provided by Non-Capital and Financing Activities	\$ 1,213,431	\$ 4,596	\$ 1,218,027
Cash Flows from Capital and Financing Activities			
Purchases of capital assets	\$ -	\$ -	\$ -
Net deferred cash inflows	(8,155)	(1,382)	(9,537)
Transfers Out	(95,947)	-	(95,947)
Cash flows from Investing Activities	694	-	694
Receipt of Interest Income	694	-	694
Net Increase (Decrease) in cash and cash equivalents	\$ 18,391	\$ 3,475	\$ 21,866
Balances, Beginning of the year	22,055	2,668	24,723
Balances, end of year	\$ 40,446	\$ 6,143	\$ 46,589
Reconciliation of operating loss to net cash used by operating activities			
Operating Loss	\$ (1,383,486)	\$ (19,253)	\$ (1,402,739)
Adjustments to reconcile operating income to net cash used by operating activities:			
Depreciation	\$ 72,701	\$ -	\$ 72,701
State on Behalf Payments	150,664	22,764	173,428
Donated commodities	79,372	-	79,372
Changes in assets and liabilities			
Inventory	(7,040)	-	(7,040)
Accounts receivable	(4,040)	-	(4,040)
Deferred pension expense	-	(3,250)	(3,250)
Accounts payable	197	-	197
Net cash provided (used) by operating activities	\$ (1,091,632)	\$ 261	\$ (1,091,371)
Schedule of non-cash transactions:			
Donated commodities received from federal government	\$ 79,372	\$ -	\$ 75,678
On behalf payments from the state government	\$ 150,664	\$ 22,764	\$ 158,150

FIDUCIARY FUNDS FINANCIAL STATEMENTS

MONROE COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

JUNE 30, 2015

	<u>AGENCY FUNDS</u>	<u>PRIVATE PURPOSE TRUST FUNDS</u>
ASSETS		
Cash	\$ 308,185	\$ 20,978
TOTAL ASSETS	<u>\$ 308,185</u>	<u>\$ 20,978</u>
LIABILITIES		
Liabilities:		
Due to Student Groups	\$ 308,185	\$ -
TOTAL LIABILITIES	<u>\$ 308,185</u>	<u>\$ -</u>
NET POSITION HELD IN TRUST	<u>\$ -</u>	<u>\$ 20,978</u>

MONROE COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

YEAR ENDED JUNE 30, 2015

	<u>PRIVATE PURPOSE</u> <u>TRUST FUNDS</u>
Additions	
Interest	\$ 197
Deductions	
Scholarships	<u>(200)</u>
Net Position, July 1, 2014	<u>20,981</u>
Net Position, June 30, 2015	<u>\$ 20,978</u>

NOTES TO THE FINANCIAL STATEMENTS

**MONROE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

▪ **REPORTING ENTITY**

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

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

The financial statements of the District also 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.

Monroe County School District Finance Corporation – In July 1985, the Monroe County, Kentucky Board of Education resolved to authorize the establishment of the Monroe 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) as an agency of the District for financing the costs of school building facilities. The board members of the Monroe County Board of Education also comprise the Corporation's Board of Directors.

**MONROE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS- CONTINUED
JUNE 30, 2015**

▪ **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. They include all funds of the District except for the fiduciary funds. The statements distinguish between governmental and business activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed in whole or part with fees charged to external customers and grant proceeds.

The District-Wide Financial Statements are prepared using the economic measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which Governmental Fund Financial Statements are prepared. Governmental Fund Financial Statements therefore includes reconciliation with a brief explanation to better identify the relationship between the District-Wide Financial Statements and the statements for governmental funds.

The District-Wide Financial Statements presents a comparison between direct expense and program revenue 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 grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and charges paid by the recipient of the goods and services offered by the program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct identifies the extent to which each business segments or governmental function is self-financing or draws from the general revenues of the District.

In the District-Wide Financial Statements of Net Position and Statement of Activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

**MONROE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS- CONTINUED
JUNE 30, 2015**

Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements, each of which is considered to be a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a) Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type and
- b) Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The accounting and financial 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 sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

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

MONROE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS- CONTINUED
JUNE 30, 2015

The fiduciary funds are reported using the economic resources measurement focus.

Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them. In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The district has the following funds described below:

I. Governmental Funds

Major Funds

- A. The General Fund is the primary operating fund of the District and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. Restrictions have been placed on the fund balance for accrued sick leave (Note D).
- B. The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts debt service, enterprise funds, or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial assistance programs where unused balances are returned to the grantor at the close of specified project periods, as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. In additions, The Kentucky Department of Education Technology System (KETS) allocation and local district matching funds are being recorded in the special revenue fund as required by the Kentucky Department of Education (KDE) and has deemed this fund always be classified as a major fund. These funds are restricted for the purchase of technology consistent with the District's approved technology plan.
- C. The Debt Service Fund accounts for the accumulation of financial resources for the payment of principal, interest, and related costs on the general long-term debt of the District, including the payment of interest on general obligation notes payable, as required by Kentucky law.

**MONROE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS- CONTINUED
JUNE 30, 2015**

Non-major Funds

- I. Capital Project Funds are used to account for financial resources restricted for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds). The District's Capital Project Fund includes:
 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) Fund 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 authorization construction.

II. Proprietary Funds

Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods and services. The District's enterprise funds are the School Food Service Fund and the Day Care operated by the district. The School Food Service Fund is used to account for the financial transactions related to the food service operations of the District including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contributions of commodities from the USDA.

**MONROE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS- CONTINUED
JUNE 30, 2015**

III. Fiduciary Funds

Agency Funds

Agency funds account for assets held by the District in a purely custodial capacity. Since agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations.

- A. The School Activity Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with *Accounting Procedures for Kentucky School Activity Funds*.

Private-Purpose Trust Funds

The Private-Purpose Trust Funds can only be used to award scholarships for needy students.

▪ **BASIS OF ACCOUNTING**

The 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.

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.

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

**MONROE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS- CONTINUED
JUNE 30, 2015**

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

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

The 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.

▪ **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.

▪ **RECEIVABLES**

Receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include federal and state funding and taxes.

▪ **INVENTORIES**

The only inventory maintained by the District consists of expendable supplies held for consumption and is accounted for in the Enterprise Fund. Inventory consists of donated and purchased foods held for resale and are expensed when used. Purchased food is valued at cost and U.S. Government donated commodities value is determined by the U.S. Department of Agriculture.

▪ **CAPITAL ASSETS**

District-Wide Financial Statements

In the District-Wide Financial Statements, capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. The District maintains a capitalization threshold of one thousand dollars with the exception of computers and technology equipment for which there is no threshold. The cost of normal maintenance and repairs that do not add value or materially extend an asset's life are expensed.

**MONROE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS- CONTINUED
JUNE 30, 2015**

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statements of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings and Improvements.....	25-50 years
Land Improvements.....	20 years
Technology Equipment.....	5 years
Vehicles.....	5-10 years
Food Service Equipment.....	10-12 years
Furniture and Fixtures.....	7 years
Other General Equipment.....	5-15 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as expenditures of the governmental fund. Capital assets used in proprietary fund operations are accounted for the same as in the District-Wide Financial Statements.

▪ **ACCRUED LIABILITIES AND LONG-TERM DEBT**

District-Wide Financial Statements

All payables, accrued liabilities and long-term debt obligations are reported in the District-Wide financial statements. In general long-term debt to be repaid from governmental resources is reported as liabilities in the District-Wide Financial Statements. The long-term debt consists primarily of capital lease obligations, compensated absences and bond obligations.

Fund Financial Statements

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources and are reported as obligations of the fund. Long-term debt is not reported as liabilities in the fund financial statements. The debt proceeds are reported as revenue and payment of principal and interest reported as expenditures. There are no long-term debt obligations recorded in the Proprietary Funds as these funds are not responsible for paying the debt.

▪ **COMPENSATED ABSENCES**

District-Wide Financial Statements

The District uses the vesting method to compute compensated absences for sick leave. Sick leave benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the

**MONROE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS- CONTINUED
JUNE 30, 2015**

District will compensate the employees for the benefits at termination. The District records a liability for accumulated unused sick leave when earned for all employees with more than five years of service.

The entire compensated absence liability is reported on the District-Wide Financial Statements. The current portion of this debt is estimated based on employees who have twenty-seven years of service as of June 30, 2015 and is calculated at thirty percent of their total accumulated sick leave.

Fund Financial Statements

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. The noncurrent portion of the liability is not reported. No liability is accrued in the Proprietary Fund.

▪ EQUITY CLASSIFICATIONS

District-Wide Financial Statements

Equity is classified as net position and displayed in three components:

Net investment in capital assets - Consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, or laws or regulations, or 2) law through constitutional provisions or enabling legislation.

Unrestricted net position – All other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

Fund Financial Statements

The District implemented GASB No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, in fiscal year 2011. In the fund statements, governmental funds are required to report the following classification of fund balance as applicable:

- Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. The District has not reported any amounts that are nonspendable for the year ended June 30, 2015.

**MONROE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS- CONTINUED
JUNE 30, 2015**

- Restricted – includes amounts restricted by external sources (creditors, grantors, laws of other governments, etc.) or by constitutional provision or enabling legislation. The FSPK (\$5,741) and Seek Capital Outlay (\$750) funds have restricted funds in escrow.
- Committed – fund balance is reported pursuant orders passed by the Board, the District's highest level of decision making authority. Commitments may be modified or rescinded only through orders approved by the Board. The General fund has committed \$83,000 for sick leave.
- Assigned – includes amounts that the District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. The District has not adopted a policy on who may assign funds for specific uses.
- Unassigned – includes amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the general fund. The district reports all amounts that meet the unrestricted General Fund Balance procedures described below as unassigned.

When restricted and other fund balance resources are available for use, it is the District's policy to use restricted resources first, followed by committed, assigned, and unassigned amounts, respectively.

Proprietary Fund equity is classified the same as in the District-Wide Financial Statements.

▪ ENCUMBRANCE ACCOUNTING

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying combined financial statements. No fund balances of the respective funds have been reserved for outstanding encumbrances at June 30, 2015.

▪ REVENUES – EXCHANGE AND NON-EXCHANGE TRANSACTIONS

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become 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 fiscal year-end.

MONROE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS- CONTINUED
JUNE 30, 2015

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is not recognized until there is an enforceable legal claim. However, for the District, an enforceable legal claim arises after the period for which taxes are levied. Property taxes receivable are recognized in the same period that the revenues are recognized. The property taxes are normally levied in September. On the modified accrual basis of accounting, assets and revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the 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, revenue from non-exchange transactions must also be available before it can be recognized.

- 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.

- UNEARNED REVENUE

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

In order to present the Special Revenue Fund on the accrual basis of accounting, and because the awards are not yet available assets, cash awards received in advance for the 2015-2016 school year have been classified as deferred revenues. Likewise, all awards requested as a result of 2014-2015 expenditures have been classified as receivables. Revenues of the Special Revenue Fund are considered earned when reimbursable expenditures are made or obligations are incurred, and of an equal amount.

- OPERATING AND NON-OPERATING REVENUES

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. Those revenues are primarily charges for meals provided by the various schools and for childcare services provided. Non-operating revenues included grants, donations, and interest income.

**MONROE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS- CONTINUED
JUNE 30, 2015**

▪ ECONOMIC DEPENDENCY

The continued operation of Monroe County School District is dependent upon the continued federal and state support of the various District programs. The non-funding of one or several of these programs could result in a reduction to the operations and staff necessary to maintain the District at its current level.

▪ PROPERTY TAXES

Property taxes collected are reported as revenues in the fund for which they are levied. Property taxes are based on property valuations on January 1, of each year. The tax rate is generally agreed to by the Board in the following September meeting, and contingent upon state approval, the tax collection date is the period from September 15 through December 31. Collections from the period September 15 through November 1 receive a two percent discount. The due date is the period from November 2 through December 31 in which no discount is allowed. Property taxes received subsequent to December 31 are considered to be delinquent and subject to a lien being filed by the County Attorney.

The property tax rates assessed for the year ended June 30, 2015, to finance the General Fund operations were \$.501 per \$100 valuation for real property, \$.501 per \$100 valuation for business personal property, and \$.562 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.

▪ ESTIMATES

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

▪ BUDGETARY PRINCIPLES

The District's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

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

Expenditures are recorded when paid in cash (budgetary) as opposed to when the obligation is incurred (GAAP).

**MONROE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS- CONTINUED
JUNE 30, 2015**

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Per Board policy, only amendments that aggregate greater than \$50,000 require Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year end.

▪ INTERFUND ACTIVITY

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

▪ INTERFUND BALANCES

Each fund is a distinct fiscal and accounting entity, and thus interfund transactions are recorded in each fund affected by a transaction. During the year the General Fund receives and disburses funds that relate to other funds or activities, such as the School Food Service Fund, the School Activity Fund; SEEK Capital Outlay Fund, Debt Service Fund, Special Revenue Fund, and the School Construction Fund. Transfers are then made between the various funds to more properly reflect the nature of the transactions. At June 30, 2015, substantially all such transfers had been made and no significant interfund payables or receivables existed.

NOTE B – CASH

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to KRS 160.570 and 702 KAR 3:090. The depository bank deposits for safekeeping and trusts with the District's third party agent approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount on Federal Deposit Insurance Corporation (FDIC) insurance.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District's cash and cash equivalents consisted of checking accounts with local banks. The District does not have a deposit policy for custodial credit risk. As of June 30, 2015, the District's bank balance was \$2,800,012. \$250,000 of the District's bank balance was covered by FDIC and the other \$2,550,012 was collateralized with collateral held by pledging bank's trust department in the District's name.

MONROE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS- CONTINUED
JUNE 30, 2015

Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. Investments are made under the "prudent advisor" standard outlined in the District's investment policy to ensure that 9a) due diligence is exercised in accordance with state law, (b) any negative deviations are reported timely, and (c) reasonable action is taken to control any adverse developments.

Kentucky Revised Statutes authorize the District to invest in direct obligations of the United States government, obligations backed by the full faith and credit of the United States government, certificates of deposit or other interest bearing accounts issued by any bank or savings and loan institution provided that such investment is insured by the FDIC or guaranteed by the pledge of direct United States government obligations, bonds issued by the Commonwealth of Kentucky or one of its agencies and instrumentalities, securities issued by any state or local government of the United States rated in one of the three highest categories by a nationally recognized rating agency, or bankers' acceptances for banks rated in one of the three highest categories by a nationally recognized rating agency.

Due to the nature of the accounts and certain limitations imposed on the use of funds, each bank account within the following funds is considered restricted: SEEK Capital Outlay Fund, Facility Support Program (FSPK) Fund, Technology Funds, (accounted for within the Special Revenue Fund), Special Revenue Fund, Debt Service Fund, Bond Proceeds Fund, School Construction Fund, School Food Service Fund, and School Activity Funds.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of investments will adversely affect the fair value of an investment. The District's formal investment policy does limit investment maturities as a means of managing its exposure to fair value losses arising from inverting interest rates.

To the extent possible, the District will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow need, the District's funds should not, in general, be invested in securities maturing more than two years from the date of purchase. However, the District may collateralize its repurchase agreements using longer dated investments in securities exceeding five years to maturity.

MONROE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS- CONTINUED
JUNE 30, 2015

Concentration of Credit Risk

The District recognizes that some level of risk is inherent in any investment transaction. Losses may be incurred due to issuer default, market price changes, or closing investments prior to maturity due to unanticipated cash flow needs. Diversification of the District's investment portfolio by institution, type or investment instrument, and term to maturity is the primary method to minimize investment risk.

The total cash balance of the District at June 30, 2015 was \$2,800,012 of which \$2,424,457 is governmental activities; \$46,589 is business-type activities. \$328,966 of cash is in agency funds. For the purpose of the cash flow statements, cash consists of all enterprise fund bank accounts.

NOTE C – CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not depreciated:				
Land	\$ 531,690	\$ -	\$ -	\$ 531,690
Total Nondepreciable Historical Cost	531,690	-	-	531,690
Capital assets that are depreciated:				
Land Improvements	\$ 307,355	\$ -	\$ -	\$ 307,355
Buildings & Building Improvements	39,195,304	-	-	39,195,304
Technology Equipment	1,688,028	-	(45,040)	1,642,988
Vehicles	1,601,368	280,055	-	1,881,423
General Equipment	384,107	83,733	(9,657)	458,183
Total Depreciable Historical Cost	\$43,176,162	\$ 363,788	\$ (54,697)	\$43,485,253
Less accumulated depreciation for:				
Land Improvements	\$ 307,355	\$ -	\$ -	\$ 307,355
Buildings & Building Improvements	13,991,407	867,323	-	14,858,730
Technology Equipment	1,388,043	77,517	(44,975)	1,420,585
Vehicles	1,428,409	73,684	-	1,502,093
General Equipment	279,677	25,903	(9,658)	295,922
Total Accumulated Depreciation	\$17,394,891	\$ 1,044,427	\$ (54,633)	\$ 18,384,685
Governmental Activities, Capital Assets, Net	<u>\$26,312,961</u>	<u>\$ (680,639)</u>	<u>\$ (64)</u>	<u>\$ 25,632,258</u>

**MONROE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS- CONTINUED
JUNE 30, 2015**

Business-Type Activities	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Capital assets that are depreciated:				
Buildings & Building Improvements	\$ 1,712,774	\$ -	\$ -	\$ 1,712,774
Technology Equipment	15,236	-	(1,514)	13,722
General Equipment	704,766	-	(8,304)	696,462
Total Depreciable Historical Cost	<u>\$ 2,432,776</u>	<u>\$ -</u>	<u>\$ (9,818)</u>	<u>\$ 2,422,958</u>
Less accumulated depreciation for:				
Buildings & Building Improvements	\$ 478,302	\$ 34,255	\$ -	\$ 512,557
Technology Equipment	11,846	1,195	(450)	12,591
General Equipment	533,560	37,251	(8,304)	562,507
Total Accumulated Depreciation	<u>\$ 1,023,708</u>	<u>\$ 72,701</u>	<u>\$ (8,754)</u>	<u>\$ 1,087,655</u>
Business-Type Activities, Capital Assets, Net	<u>\$ 1,409,068</u>	<u>\$ (72,701)</u>	<u>\$ (1,064)</u>	<u>\$ 1,335,303</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 698,721
Support Services:	
Student	1,122
District Administration	960
School Administration	4,685
Business	18,698
Plant Operations & Maintenance	177,882
Student Transportation	78,359
Community Service	64,000
Total Depreciation Expense	<u>\$ 1,044,427</u>

Depreciation expense was charged to business-type activities as follows:

Food Service	\$ 72,701
Total Depreciation Expense	<u>\$ 72,701</u>

NOTE-D - LONG -TERM OBLIGATIONS

Bonds Payable

The amount shown in the accompanying financial statements as bond obligation represents the District's future obligations to make bond payments relating to the bonds issued by the Monroe County School District Finance Corporation.

**MONROE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS- CONTINUED
JUNE 30, 2015**

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

<u>Issue Date</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
2004	5,390,000	2.90%-4.40%	August 1, 2024
2004E	1,745,000	2.35%-4.30%	December 1, 2022
2005	1,345,000	3.00%-4.125%	July 1, 2014
2005B	5,100,000	3.50%-4.20%	January 1, 2026
2006	620,000	3.50%-4.00%	December 1, 2023
2008	2,150,000	3.755-4.625%	October 1, 2028
2010	3,155,000	1.00%-2.75%	June 30, 2021
2012	2,475,000	.60%-2.375%	October 1, 2023
2013	4,805,000	1.00%-1.00%	November 1, 2029
2014	1,055,000	2.00%-2.00%	December 22, 2022

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

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

The District issued \$1,055,000 of bonds dated October 29, 2014 bearing interest of 2% payable semi-annually on June 1 and December 1 each year commencing December 1, 2014. The bonds are not subject to redemption prior to their stated maturity.

**MONROE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS- CONTINUED
JUNE 30, 2015**

The bonds may be called prior to maturity at dates and redemption premiums specified in each issue. Assuming no issues 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 Ending June 30	Monroe County School District			Kentucky School Facilities			Total Debt Service
	Principal	Interest	Total	Principal	Interest	Total	
2015-16	1,050,201	328,534	1,378,735	224,799	35,628	260,427	1,639,162
2016-17	1,183,578	303,603	1,487,181	231,422	31,101	262,523	1,749,704
2017-18	1,218,670	284,079	1,502,749	236,330	26,366	262,696	1,765,445
2018-19	1,239,619	263,465	1,503,084	220,381	21,566	241,947	1,745,031
2019-20	1,263,758	240,993	1,504,751	151,242	17,445	168,687	1,673,438
2020-25	6,490,238	822,400	7,312,638	484,762	39,362	524,124	7,836,762
2025-29	<u>2,585,897</u>	<u>200,274</u>	<u>2,786,171</u>	<u>59,103</u>	<u>5,343</u>	<u>64,446</u>	<u>2,850,617</u>
	<u>\$15,031,961</u>	<u>\$2,443,348</u>	<u>\$17,475,309</u>	<u>\$1,608,039</u>	<u>\$ 176,811</u>	<u>\$1,784,850</u>	<u>\$19,260,159</u>

The debt service fund is primarily responsible for paying the bond obligations through funding from the capital outlay and FSPK funds.

**MONROE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS- CONTINUED
JUNE 30, 2015**

Total Liability activity for the year ended June 30, 2015 was as follows:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2015</u>	<u>Amounts Due</u> <u>within one year</u>
Governmental Activities					
Bonds and Notes Payable					
General obligation debt	\$ 18,055,000	\$ 1,055,000	\$(2,470,000)	\$ 16,640,000	\$ 1,275,000
Accrued Pension Liability	\$ -	\$ 3,279,588	-	\$ 3,279,588	-
Other Liabilities					
Accrued sick leave	\$ 485,679	\$ 58,649	\$ (64,402)	\$ 479,926	\$ 50,503
Capital lease obligation	<u>643,786</u>	<u>86,851</u>	<u>(146,641)</u>	<u>583,996</u>	<u>109,059</u>
Total Other Liabilities	<u>\$ 1,129,465</u>	<u>\$ 145,500</u>	<u>\$ (211,043)</u>	<u>\$ 1,063,922</u>	<u>\$ 159,562</u>
Total Long-term Government Liabilities	<u>\$ 19,184,465</u>	<u>\$ 4,480,088</u>	<u>\$(2,681,043)</u>	<u>\$ 20,983,510</u>	<u>\$ 1,434,562</u>
Business-Type Activities					
Accrued Pension Liability	\$ -	\$ 710,609	-	\$ 710,609	-

Capital Leases

The following is a schedule by year of the future minimum lease payments under capital leases (primarily buses).

Monroe County School District

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u> <u>Service</u>
2016	109,059	15,890	\$124,949
2017	84,086	12,737	96,823
2018	77,591	10,435	88,026
2019	63,315	8,321	71,636
2020	61,586	6,692	68,278
2021	63,080	5,102	68,182
2022	46,469	3,392	49,861
2023	42,821	2,223	45,044
2024	<u>35,989</u>	<u>1,082</u>	<u>37,071</u>
	<u>\$583,996</u>	<u>\$ 65,874</u>	<u>\$649,870</u>

The governments assets under capital leases are being depreciated with capital assets. The amounts of depreciation for the year ended June 30, 2015 was \$280,055.

**MONROE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS- CONTINUED
JUNE 30, 2015**

All assets acquired under capital leases are included in the District-Wide Financial Statements within "depreciated capital assets" and, accordingly, are depreciated. On the governmental fund financial statements, payments on capital lease obligations are recognized as expenditures.

The amount shown in the accompanying District-Wide Financial Statements as lease obligations represents the District's future obligations to make lease payments relating to school building revenue bonds issued by the Monroe County Fiscal Court (the Fiscal Court) and the Monroe County School District Finance Corporation (the Finance Corporation) on behalf of the District for purposes of school facility construction. These amounts are not reflected on the fund financial statements.

The General Fund, SEEK Capital Outlay Fund, and the FSPK Building Fund are obligated to make lease payments. The lease agreements provide, among other things, for rentals sufficient to satisfy debt service requirements on bonds issued by the Fiscal Court or the Finance Corporation to construct school facilities and the District with the option to purchase the property under lease at any time by retiring the bonds then outstanding. Upon completion of such payments, the leased premises should become the property of the District. The District must generally make sinking fund payments by the fifteenth day of the month prior to scheduled bond and interest payment dates. The District is also obligated to maintain adequate property insurance on the school facilities and the school facilities have been pledged as security to the holders of the bonds.

The District has "participation agreements" with the Kentucky School Facilities Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The estimated liability is based on the School District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

**MONROE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS- CONTINUED
JUNE 30, 2015**

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.

NOTE E – RETIREMENT PLANS

KENTUCKY TEACHERS' RETIREMENT SYSTEM

Pension Plan

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

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

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

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

**MONROE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS- CONTINUED
JUNE 30, 2015**

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

**MONROE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS- CONTINUED
JUNE 30, 2015**

161 Section 220 through Chapter 161 Section 990 of the KRS. KTRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. KTRS issues a publicly available financial report that can be obtained at http://www.ktrs.ky.gov/05_publications/index.htm.

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

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

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

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.

**MONROE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS- CONTINUED
JUNE 30, 2015**

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

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

Medical Insurance Plan

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

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

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

MONROE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS- CONTINUED
JUNE 30, 2015

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

At June 30, 2015, the District reported 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	\$ 3,990,000
Commonwealth's proportionate share of the KTRS net pension liability associated with the District	<u>56,674,920</u>
	<u>\$ 60,664,920</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 0.122975% percent.

For the year ended June 30, 2015, the District recognized pension expense of \$452,934 related to CERS and \$2,777,186 related to KTRS. The District also recognized revenue of \$2,777,186 for KTRS support provided by the Commonwealth. At June 30, 2014, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**MONROE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS- CONTINUED
JUNE 30, 2015**

Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	445,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
District contributions subsequent to the measurement date	<u>498,562</u>	<u>-</u>
 Total	 <u>\$ 498,562</u>	 <u>\$ 445,000</u>

\$503,427 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:

2016	99,713
2017	99,713
2018	99,713
2019	99,713
2020	99,713

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%

**MONROE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS- CONTINUED
JUNE 30, 2015**

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:

**MONROE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS- CONTINUED
JUNE 30, 2015**

<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.

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.

**MONROE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS- CONTINUED
JUNE 30, 2015**

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 (I calculated the amounts in this schedule:

	<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	5,250,274	3,990,000	2,876,090
KTRS	4.23%	5.23%	6.23%
District's proportionate share			
Of net pension liability	-	-	-

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

NOTE F - DEFERRED COMPENSATION

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

NOTE G – ON-BEHALF PAYMENTS

For the year ended June 30, 2015, the Commonwealth of Kentucky contributed estimated payments on-behalf of the District's employees of \$2,358,627 to the health insurance carriers and the flexible spending account vendors. GASB Statements No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, establishes accounting and reporting standards for on-behalf payments. In accordance with the standard, the District recognized an expense and revenue for this payment on the District-Wide Financial Statements. The district receives on-behalf payments from the Commonwealth of Kentucky and United States Treasury for items including pension, technology, health care costs, operating costs and debt service. The amount received for the fiscal year ended June 30, 2015 was \$4,033,100 recorded as follows: \$3,578,366 in the General Fund, \$281,306 in the Debt Service Fund, \$150,664 in the Food Service Fund, and \$22,764 in the Daycare Fund.

**MONROE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS- CONTINUED
JUNE 30, 2015**

NOTE H – CONTINGENCIES

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

NOTE I – INSURANCE AND 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. The District has purchased certain policies which are retrospectively rated including workers' compensation insurance. Premiums for these policies are based upon the District's experience to date.

The District is also exposed to various risks of loss related to torts, errors and omissions, injuries to employees, and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage.

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

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

**MONROE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS- CONTINUED
JUNE 30, 2015**

NOTE J – LITIGATION

The District is subject to various 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 combined financial statements as a result of the cases presently in progress, except as described elsewhere in this report.

NOTE K – DEFICIT OPERATING BALANCES

No funds of the District currently have a deficit fund balance or net position. However, the following funds had excess current year expenditures over current year appropriated revenues resulting in a corresponding reduction of fund balance:

<u>Fund</u>	<u>Amount</u>
Special Revenue	\$ 25,000
Debt Service	\$1,798,185

NOTE L – TRANSFER OF FUNDS

Interfund transfers are eliminated in the governmental and business-type activities columns of the district-wide statement of net position. As reflected on the fund financial statements, the following transfers were made during the year:

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Debt Service	Debt Service	\$ 318,371
General	Special Revenue	Expense Reimbursement	25,000
SEEK Capital Outlay	Debt Service	Debt Service	168,378
FSPK	Debt Service	Debt Service	243,614
FSPK	General Fund	Funds Transfer	176,170
Food Service	General Fund	Expense Reimbursement	95,947
Total			<u>\$ 1,027,480</u>

NOTE M – SUBSEQUENT EVENTS

The District has evaluated subsequent events through November 7, 2015, the date which the financial statements were available to be issued.

NOTE N – PRIOR PERIOD ADJUSTMENTS

The adopting of GASB #68 regained an adjustment to the General Fund net position of \$3,383,154, the Food Service Fund of \$626,660 and the Daycare Fund of \$106,185 for a total of \$3,990,000. Capital leases were erroneously omitted from 6/30/14 Government Funds balance sheet and net position in the amounts of \$280,055.

**MONROE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS- CONTINUED
JUNE 30, 2015**

NOTE O – IMPACT OF RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

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

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

The Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, the Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This statement is effective for periods beginning after June 15, 2014. The District has adopted GASB 68 for the fiscal year 2015, which resulted in a restatement of beginning net position of \$3,990,000 for net pension liability being recognized on the financial statements.

In January 2013, the GASB issued Statement 69, *Government Combinations and Disposals of Government Operations*. GASB 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This statement is effective for periods beginning after December 15, 2013. The District has adopted GASB 69 for the fiscal year 2015. There was no effect on the financial statements.

In March 2013, the GASB issued Statement 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. GASB 70 requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This statement is effective for periods beginning after June 15, 2013. The District has adopted GASB 70 for the fiscal year 2015. There was no effect on the financial statements.

**MONROE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS- CONTINUED
JUNE 30, 2015**

In November 2013, the GASB issued Statement 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. GASB 71 amends GASB 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. This statement is effective simultaneously with the provisions of GASB 68. The District has adopted GASB 71. The effect of the adoption has been discussed previously under GASB 68.

In February 2015, the GASB issued Statement 72, Fair Value Measurement and Application. GASB 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This statement is effective for periods beginning after June 15, 2015. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

MONROE COUNTY SCHOOL DISTRICT
 SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES- BUDGET AND ACTUAL
 GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2015

	BUDGETED AMOUNTS		ACTUAL	Variance With Final Budget Favorable (Unfavorable)
	ORIGINAL	FINAL		
REVENUES:				
From local sources:				
Taxes:				
Property	\$ 1,230,700	\$ 1,260,200	\$ 1,414,480	\$ 154,280
Motor vehicle	292,000	300,000	328,143	28,143
Utilities	820,000	820,000	835,299	15,299
Other taxes			22,931	22,931
Earnings on investments	19,000	19,000	24,811	5,811
Revenue in lieu of taxes	178,000	178,000	170,890	(7,110)
Other local revenues	46,208	44,208	57,286	13,078
Intergovernmental - state	11,236,709	8,194,045	11,809,248	3,615,203
Intergovernmental - direct federal	13,000	17,000	37,820	20,820
TOTAL REVENUES	\$ 13,835,617	\$ 10,832,453	\$ 14,700,908	\$ 3,868,455
EXPENDITURES:				
Current:	\$ 7,770,367	\$ 5,360,277	\$ 7,493,440	\$ (2,133,163)
Instruction				
Support Services:				
Student	785,404	560,019	764,902	(204,883)
Instructional staff	857,103	553,192	780,927	(227,735)
District administration	430,320	388,072	348,258	39,814
School administration	1,407,983	1,099,015	1,462,705	(363,690)
Business	565,557	538,938	498,281	40,657
Plant operations and maintenance	1,922,216	1,750,959	1,887,999	(137,040)
Student transportation	1,139,095	1,019,484	1,054,476	(34,992)
Community service activities	21,682	16,018	22,696	(6,678)
Contingency	350,000	350,000	-	350,000
TOTAL EXPENDITURES	\$ 15,249,727	\$ 11,635,974	\$ 14,313,684	\$ (2,677,710)
Excess (deficit) of revenues over expenditures	\$ (1,414,110)	\$ (803,521)	\$ 387,224	\$ 1,190,745
OTHER FINANCING SOURCES (USES):				
Capital lease sale proceeds	\$ -	\$ -	\$ 83,733	83,733
Sale of Assets	5,000	5,000	4,603	(397)
Operating transfers in	90,000	90,000	272,117	182,117
Operating transfers out	(362,868)	(343,371)	(343,371)	-
TOTAL OTHER FINANCING SOURCES (USES)	\$ (267,868)	\$ (248,371)	\$ 17,082	\$ 265,453
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	\$ (1,681,978)	\$ (1,051,892)	\$ 404,306	\$ 1,456,198
FUND BALANCES, July 1, 2014	1,134,892	1,134,892	1,134,892	-
FUND BALANCES, June 30, 2015	\$ (547,086)	\$ 83,000	\$ 1,539,198	\$ 1,456,198

Both inflows and outflow are equally different in the Schedule of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds by the amount of on-behalf payments of \$3,145,777

MONROE COUNTY SCHOOL DISTRICT
 SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES- BUDGET AND ACTUAL
 SPECIAL REVENUE FUND

FOR THE YEAR ENDED JUNE 30, 2015

	BUDGETED AMOUNTS		ACTUAL	Variance With Final Budget Favorable (Unfavorable)
	ORIGINAL	FINAL		
REVENUES:				
From local sources:				
Earnings on investments	\$ -	\$ -	\$ -	\$ -
Other local revenues	45,000	77,500	386,823	309,323
Intergovernmental - state	993,051	1,082,348	1,073,080	(9,268)
Intergovernmental - indirect federal	1,634,265	2,245,510	2,259,500	13,990
Intergovernmental-direct federal	-	-	-	-
TOTAL REVENUES	\$ 2,672,316	\$ 3,405,358	\$ 3,719,403	\$ 314,045
EXPENDITURES:				
Current:				
Instruction	\$ 1,929,363	\$ 2,655,897	\$ 2,946,445	\$ (290,548)
Support Services:				
Student:	233,135	197,005	195,233	1,772
Instructional staff	287,551	286,697	251,462	35,235
Plant operations and maintenance	-	-	85,724	(85,724)
Student transportation	43,000	53,350	39,194	14,156
Community service activities	199,267	232,409	226,345	6,064
TOTAL EXPENDITURES	\$ 2,692,316	\$ 3,425,358	\$ 3,744,403	\$ (319,045)
Excess (deficit) of revenues over expenditures	\$ (20,000)	\$ (20,000)	\$ (25,000)	\$ (5,000)
OTHER FINANCING SOURCES (USES):				
Operating transfers in	\$ 20,000	\$ 20,000	\$ 25,000	\$ 5,000
Operating transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	\$ 20,000	\$ 20,000	\$ 25,000	\$ 5,000
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	\$ -	\$ -	\$ -	\$ -
FUND BALANCES, July 1, 2014	-	-	-	-
FUND BALANCES, June 30, 2015	\$ -	\$ -	\$ -	\$ -

MONROE COUNTY SCHOOL DISTRICT
June 30, 2015

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

Last 10 years*

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Proportion of the net pens	0.122975%	*	*	*	*	*	*	*	*	*
Proportion share of the ne	\$3,990,000	*	*	*	*	*	*	*	*	*
Covered - employee payro	\$3,481,418	\$3,315,220	\$3,479,447	\$2,763,555	\$3,130,668	\$2,996,518	\$3,001,607	\$3,173,791	\$2,968,900	\$2,777,982
Proportion share of the net pension liability as percentage of covered	114.61%	*	*	*	*	*	*	*	*	*
Plan fiduciary net position as a percentage of the total pension liabil	66.80%	*	*	*	*	*	*	*	*	*

SCHEDULE OF CONTRIBUTIONS TO CERS

Contractually required contribution (Actuarially determined)	\$615,167	*	*	*	*	*	*	*	*	*
Contribution in relation to the actuarially determined contribution	\$532,934	*	*	*	*	*	*	*	*	*
Contribution deficiency (e)	17.67%	*	*	*	*	*	*	*	*	*
Covered employee payroll	\$3,481,418	\$3,315,220	\$3,479,447	\$2,763,555	\$3,130,668	\$2,996,518	\$3,001,607	\$3,173,791	\$2,968,900	\$2,777,982
Contributions as a percentage of covered employee payro	15.31%	*	*	*	*	*	*	*	*	*

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

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

Changes of assumptions. There were no changes in assumptions.

SUPPLEMENTARY INFORMATION

MONROE COUNTY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NON MAJOR GOVERNMENTAL FUNDS

June 30, 2015

	FSPK FUND	SEEK CAPITAL OUTLAY FUND	CONSTRUCTION FUND	TOTAL NONMAJOR FUNDS
Assets				
Cash and cash equivalents	\$ 5,741	\$ 750	\$ -	\$ 6,491
Total assets	<u>\$ 5,741</u>	<u>\$ 750</u>	<u>\$ -</u>	<u>\$ 6,491</u>
Fund Balances				
Restricted SFCC Escrow	\$ 5,741	\$ 750	\$ -	\$ 6,491
Total fund balances	<u>\$ 5,741</u>	<u>\$ 750</u>	<u>\$ -</u>	<u>\$ 6,491</u>

MONROE COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2015

	FSPK FUND	SEEK CAPITAL OUTLAY FUND	CONSTRUCTION FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES:				
From local sources:				
Taxes:				
Property	\$ 419,784	\$ -	\$ -	\$ 419,784
Intergovernmental - state	-	168,378	-	168,378
TOTAL REVENUES	\$ 419,784	\$ 168,378	\$ -	\$ 588,162
EXPENDITURES:				
Current:				
TOTAL EXPENDITURES	\$ -	\$ -	\$ -	\$ -
Excess (deficit) of revenues over expenditures	\$ 419,784	\$ 168,378	\$ -	\$ 588,162
OTHER FINANCING SOURCES (USES):				
Transfers out	\$ (419,784)	\$ (168,378)	-	\$ (588,162)
TOTAL OTHER FINANCING SOURCES (USES)	\$ (419,784)	\$ (168,378)	\$ -	\$ (588,162)
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	\$ -	\$ -	\$ -	\$ -
FUND BALANCES, July 1, 2014	5,741	750	-	6,491
FUND BALANCES, June 30, 2015	\$ 5,741	\$ 750	\$ -	\$ 6,491

MONROE COUNTY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 AGENCY FUNDS
 JUNE 30, 2015

	Monroe County High School	Monroe County Middle School	Thompkins- ville Elementary School	J.H. Carter Elementary School	Gamaliel Elementary School	Community Resource Center	Total
ASSETS							
Cash	\$ 76,765	\$ 86,083	\$ 38,312	\$ 54,587	\$ 50,833	\$ 1,605	\$ 308,185
TOTAL ASSETS	<u>\$ 76,765</u>	<u>\$ 86,083</u>	<u>\$ 38,312</u>	<u>\$ 54,587</u>	<u>\$ 50,833</u>	<u>\$ 1,605</u>	<u>\$ 308,185</u>
LIABILITIES							
Liabilities:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to Student Groups	76,765	86,083	38,312	54,587	50,833	1,605	308,185
TOTAL LIABILITIES	<u>\$ 76,765</u>	<u>\$ 86,083</u>	<u>\$ 38,312</u>	<u>\$ 54,587</u>	<u>\$ 50,833</u>	<u>\$ 1,605</u>	<u>\$ 308,185</u>

MONROE COUNTY SCHOOL DISTRICT
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS
MONROE COUNTY HIGH SCHOOL
FOR THE YEAR ENDED JUNE 30, 2015

NAME OF ACTIVITY:	CASH			CASH BALANCES June 30, 2015	RECEIVABLES June 30, 2015	ACCOUNTS PAYABLE June 30, 2015	DUES TO STUDENT GROUPS June 30, 2015
	BALANCES July 1, 2014	RECEIPTS	DISBURSEMENTS				
Academic Team	\$ 2,955	\$ 1,350	\$ 800	\$ 3,505	\$ -	\$ -	\$ 3,505
Academic Achiever	1,750	1,550	53	3,247	-	-	3,247
Annual staff	952	38,207	27,896	11,263	-	-	11,263
Art Club	59	30	44	45	-	-	45
Athletic	5,241	52,432	57,182	491	-	-	491
Boys Basketball	51	15,625	15,238	438	-	-	438
Baseball Account	389	9,781	9,587	583	-	-	583
Band	9,358	11,618	15,844	5,132	-	-	5,132
Band Concessions	605	1,572	268	1,909	-	-	1,909
Beta Club	1,320	9,954	8,695	2,579	-	-	2,579
Book Store	-	-	-	-	-	-	-
Cheerleaders	-	26,807	26,807	-	-	-	-
Cola Account- Lounge	257	2,603	2,696	164	-	-	164
Cola Account- Students	1,475	3,337	4,106	706	-	-	706
Concessions	2,139	23,772	24,064	1,847	-	-	1,847
Cross Country	392	5,547	3,946	1,993	-	-	1,993
Drama Club	587	517	338	766	-	-	766
English Dept	37	518	518	37	-	-	37
Falcon Market	163	227	155	235	-	-	235
Football	-	51,940	51,940	-	-	-	-
FCA	423	100	65	458	-	-	458
FCCLA	56	5,206	5,073	189	-	-	189
FFA	6,830	10,471	12,174	5,127	-	-	5,127
FFA Special	-	-	-	-	-	-	-
Fishing Team	780	675	591	864	-	-	864
FFA Greenhouse	10,368	23,802	28,636	5,534	-	-	5,534
FFA Special	589	114	454	249	-	-	249
FMD/MSD Department	-	1,737	1,694	43	-	-	43
Foreign Language	830	468	727	571	-	-	571
Girls Basketball	-	30,776	30,776	-	-	-	-
General Fund	2,977	3,899	5,894	982	-	-	982
Golf	544	4,088	4,631	1	-	-	1
Guidance Department	988	1,574	1,818	744	-	-	744
Interest	3,722	688	3,800	610	-	-	610
Library	165	9	94	80	-	-	80
Media Productions	92	1,025	1,117	-	-	-	-
Young Republician's Club	66	343	308	101	-	-	101
Pep Club	1,457	3,306	3,379	1,384	-	-	1,384
Science	161	-	110	51	-	-	51
Snack Cart	2,186	2,421	2,518	2,089	-	-	2,089
Soar	5,603	4,086	528	9,161	-	-	9,161
Soccer	4,375	5,245	6,906	2,714	-	-	2,714
Softball	2,221	7,410	6,979	2,652	-	-	2,652
Staff	167	1,621	1,714	74	-	-	74
Student Tech	617	77	14	680	-	-	680
Seniors 2014	-	-	-	-	-	-	-
Seniors 2015	3,426	15,496	18,922	-	-	-	-
Seniors 2016	126	8,394	5,994	2,526	-	-	2,526
Seniors 2017	3	11	14	-	-	-	-
Seniors 2018	-	4,081	2,919	1,162	-	-	1,162
Tennis	1,815	2,500	1,826	2,489	-	-	2,489
Track	-	5,529	4,239	1,290	-	-	1,290
Volleyball	-	13,922	13,922	-	-	-	-
Yclub	1,001	-	1,001	-	-	-	-
TOTALS	\$ 79,318	\$ 416,461	\$ 419,014	\$ 76,765	\$ -	\$ -	\$ 76,765

REPORTS REQUIRED BY THE SINGLE AUDIT ACT

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

FEDERAL GRANTOR/ PASS - THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	FEDERAL EXPENDITURES
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the state Department of Education:			
Children Nutrition Cluster:			
School Breakfast Program	10.553	7760005	\$ 400,299
National School Lunch Program	10.555	7750002	735,302
Summer Food Service Program for Children	10.559	7740023	35,756
Other U.S. Department of Agriculture Programs:			\$ 1,171,357
Passed through State Department of Agriculture	10.555	N/A	79,372
TOTAL U.S. DEPT. OF AGRICULTURE			\$ 1,250,729
U.S. DEPARTMENT OF EDUCATION			
Passed through the state Department of Education			
Special Education Cluster:			
Special Education-Grants to States (IDEA, Part B)	84.027	3373	\$ 82
Special Education-Grants to States (IDEA, Part B)	84.027	3374	19,083
Special Education-Grants to States (IDEA, Part B)	84.027	337A	380,556
Special Education-Preschool Grants (IDEA Preschool)	84.173	3434	25,522
			\$ 425,243
Title I Cluster			
Title I Grants to Local Educational Agencies	84.010	3104	\$ 88,578
Title I Grants to Local Educational Agencies-Parent Involvement	84.010	310A	687,988
Title I Parent Involvement	84.010	310AM	4,389
Title I Parent Involvement	84.010	3103M	788
Title I Parent Involvement	84.010	3104M	5,857
			\$ 787,600
Migrant Education-State Grant Programs	84.011	311A	\$ 184,199
Vocational Education-Basic Grants to States	84.048	3484A	\$ 497
Vocational Education-Basic Grants to States	84.048	348A	12,492
			\$ 12,989
Gear Up II	84.334S	6973	\$ 2,276
Ky Ahead	23.011	668X	\$ 3,261
Title III	84.365A	345A	\$ 8,168
Rural Education	84.358B	3504	\$ 4,961
Rural Education	84.358B	350A	30,703
			\$ 35,664
SUB-TOTAL (CONTINUE ON NEXT PAGE)			\$ 1,459,400

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

FEDERAL GRANTOR/ PASS - THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	FEDERAL EXPENDITURES
Balance carried forward			\$ 1,459,400
Improving Teacher Quality State Grants	84.367	4014	\$ 5,165
Improving Teacher Quality State Grants	84.367	401A	113,036
			<u>\$ 118,201</u>
Race to The Top	84.416A	4364	\$ 2,990
Race to The Top	84.416A	436A	38,206
			<u>\$ 41,196</u>
21st Century Community Learning Centers	84.287	5503	\$ 23,721
21st Century Community Learning Centers	84.287	5503U	6,767
21st Century Community Learning Centers	84.287	5503X	9,275
21st Century Community Learning Centers	84.287	5503Z	104,113
21st Century Community Learning Centers	84.287	5504	189,793
21st Century Expansion	84.287	5504X	129,038
21st Century Community Learning Centers	84.287	5504C	55,296
21st Century Community Learning Centers	84.287	5504C	97,380
			<u>\$ 615,383</u>
Passed through State Workforce Development Cabinet			
Adult Education Recruitment, Retention	84.002	3654	\$ (1)
Adult Education Recruitment, Retention	84.002	365A	6,658
Adult Education- Professional Development	84.002	373AS	63
Core Services- Family Lit	84.002	373A	18,600
			<u>\$ 25,320</u>
TOTAL U.S DEPARTMENT OF EDUCATION			\$ 2,259,500
TOTAL FEDERAL EXPENDITURES			<u>\$ 3,510,229</u>

The accompanying notes are an integral part of this schedule.

**MONROE COUNTY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2015**

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activities of the Monroe County School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirement of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – SUB RECIPIENTS

There were no sub-recipients during the fiscal year.

NOTE D – FOOD DISTRIBUTION

Non-monetary assistance is reported in the schedule at the fair value of commodities disbursed.

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

Section I – Summary of Audit Results

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

<u>Federal Grantor/Program Title</u>	<u>CFDA Number</u>
U.S. Department of Agriculture Passed Through Kentucky Department of Education Children Nutrition Cluster	10.553, 10.555 & 10.559
U.S. Department of Education Passed Through Kentucky Department of Education Title I Grants to Local Educational Agencies	84.010

8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. The District did qualify to be audited as a low-risk auditee.

**MONROE COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2015**

Section II – Findings – Financial Statement Audit

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

Section III – Findings – Major Federal Programs Audit

There are no findings or questioned costs related to the major federal programs which are required to be reported in accordance with *OMB Circular A-133, Section 510(a)*.

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

To the Kentucky State Committee for School District Audits
and Members of the Board of the Monroe County School District
Tompkinsville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Monroe County School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Monroe County School District's basic financial statements, and have issued our report thereon dated November 7, 2015.

Internal Control Over Financial Reporting

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

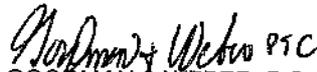
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not 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 Monroe County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no instances of noncompliance with specific statutes or regulations identified in the *Independent Auditor's Contract*.

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.


GOODMAN & WEBER, P.S.C.
Certified Public Accountants
Louisville, Kentucky
December 1, 2015

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

To the Kentucky State Committee for School District Audits
and Members of the Board of the Monroe County School District
Tompkinsville, Kentucky

Compliance

We have audited Monroe County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Monroe County School District's major federal programs for the year ended June 30, 2015. Monroe 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

Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Monroe County School District's management.

Auditor's Responsibility

Our responsibility is to express an opinion on Monroe County School District's compliance based on our audit. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United State of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I of the *Independent Auditors' Contract – General Audit Requirements* and Appendix II of the *Independent Auditors' 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 the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements

Opinion on Each Major Program

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

Internal Control Over Compliance

Management of Monroe County School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants

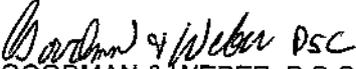
applicable to federal programs. In planning and performing our audit, we considered Monroe County School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 Monroe 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.

Opinion on Each Major Federal Program

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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.


GOODMAN & WEBER, P.S.C.
Certified Public Accountants
Louisville, Kentucky
December 1, 2015

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Kentucky State Committee for School District Audits
and Members of the Board of Education
Monroe County School District
Tompkinsville, Kentucky

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

However, during our audit we became aware of several 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. A separate report, November 4, 2015, contains our report on significant deficiencies in the Company's internal control. This letter does not affect our report dated November 7, 2015 on the financial statements of Monroe County School District.

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

Sincerely,



GOODMAN & WEBER, PSC
Certified Public Accountants
Louisville, Kentucky
December 1, 2015

**MONROE COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS
FOR THE YEAR ENDED JUNE 30, 2015**

1. Condition – During the audit, we noted that in one activity fund, there was no support for some expenditures.

Criteria – The *Accounting Procedures for School Activity Funds* (Red Book) states that all expenditures shall be accompanied by a purchase order and an original vendor invoice.

Cause – Oversight by school employees caused the violation of the requirement.

Recommendations – Ensure that all purchase orders and standard invoices be approved by signature of sponsor and principal.

Response – Management agrees with the finding and recommendations will be adopted.

2. Condition – During the audit, we noted that in one activity fund, only a standard invoice was prepared.

Criteria – The *Accounting Procedures for School Activity Funds* (Red Book) states that all expenditures must be accompanied by a purchase order and an original vendor invoice.

Cause – Oversight by school employees caused the violation of the requirement.

Recommendations – Reinforce education to all school personnel about the policy and monitor that it is enforced.

Response – Management agrees with the finding and recommendations will be adopted.

3. Condition – During the audit, we noted that in one activity fund transfers were made at the end of the year to cover deficits in specific activity funds. These transfers were reversed at the beginning of the subsequent year.

Criteria – The *Accounting Procedures for School Activity Funds* (Red Book) states that no activity fund may end the year with a deficit balance.

Cause – Oversight by school employees caused the violation of the requirement.

Recommendations – Reinforce education to all school personnel about the policy and monitor that it is enforced.

Response – Management agrees with the finding and recommendations will be adopted.

STATUS OF PRIOR YEAR RECOMMENDATIONS

- It was noted in one activity fund, there was no support for some expenditures.
- It was noted in one activity fund, only a standard invoice was prepared.
- It was noted in several activity funds that purchase orders and invoices contain only the principal's signature, or a typed name in lieu of a signature.

Current year follow-up: Some of these were repeat findings in the current year, but at different activity funds than prior year.