

**PENDLETON COUNTY SCHOOL DISTRICT**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2015**

**TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS**

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## INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Pendleton County School District  
Falmouth, Kentucky 41040

### Report on the Financial Statements

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

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 *Auditor Responsibilities* and *State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness

of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

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

## **Emphasis of Matter**

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis information on pages 6 through 9 and the Schedule of District's Proportionate Share of the Net Pension Liability and Schedule of Pension Contributions on pages 41 through 43 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 Pendleton County School District's basic financial statements. The combining and individual non-major fund financial statements, and the schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of*

*States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2015, on our consideration of Pendleton County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Kelley Ballouway Smith Goolsby, P.C.*

October 14, 2015  
Cold Spring, Kentucky

**PENDLETON COUNTY SCHOOL DISTRICT  
FALMOUTH, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)  
FOR THE YEAR ENDED JUNE 30, 2015**

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

**FINANCIAL HIGHLIGHTS**

- The beginning cash balance for all funds of the District, excluding agency funds, was approximately \$3,574,385 and the ending balance was approximately \$2,915,732, a decrease of approximately \$658,563 for the year, principally due to a decrease in grant revenues in the current year.
- The General Fund had \$20,339,789 in revenue, which consisted primarily of the State program (SEEK), and property, utilities, and motor vehicle taxes. Excluding interfund transfers, there was \$20,855,795 in General Fund expenditures.
- Bonds are issued as the District renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations. The District's total debt decreased by \$1,383,943 during the current fiscal year.

**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, deferred outflows, liabilities, and deferred inflows, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (government activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt are also supported by taxes and intergovernmental revenues. The government-wide financial statements can be found on pages 10 and 11 of this report.

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

The basic fund financial statements can be found on pages 12 through 21 of this report.

**Notes to the financial statements.** The notes provided additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22 - 40 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 and deferred outflows exceeded liabilities and deferred inflows by approximately \$12.2 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 is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

#### Net Position for the period ending June 30, 2015

	2015	(As restated) 2014
Current Assets	\$ 3,048,526	\$ 3,692,422
Noncurrent Assets	43,520,716	45,642,971
Total Assets	<u>46,569,242</u>	<u>49,335,393</u>
Deferred Outflows	1,146,595	576,306
Current Liabilities	2,888,212	2,549,022
Noncurrent Liabilities	32,138,959	34,527,341
Total Liabilities	<u>35,027,171</u>	<u>37,076,363</u>
Deferred Inflows	482,000	-
Net Position		
Investment in capital assets (net of debt)	14,438,620	14,307,719
Restricted	845,652	2,375,466
Unrestricted Fund Balance	(3,077,606)	(3,847,849)
Total Net Position	<u>\$ 12,206,666</u>	<u>\$ 12,835,336</u>

The following table presents a summary of all governmental activities and business-type activities revenues and expenses for the fiscal year ended June 30, 2015, with comparison to 2014.

	<u>2015</u>	<u>2014</u>
<b>Revenues:</b>		
Local Revenue Sources	\$ 6,189,626	\$ 5,885,085
State Revenue Sources	18,603,057	16,442,284
Federal Revenue	2,763,639	2,582,222
Other Sources	5,000	8,603
Total Revenues	<u>27,561,322</u>	<u>24,918,194</u>
<b>Expenses:</b>		
Instruction	15,543,403	11,853,843
Student Support Services	1,258,463	1,112,928
Instructional Support	888,001	2,704,748
District Administration	1,360,244	1,337,650
School Administration	1,191,256	1,170,690
Plant Operations	2,121,530	2,125,243
Student Transportation	2,041,142	1,863,156
Business and Other Support Services	747,734	804,625
Other instructional	28,585	15,537
Community Services	196,013	211,938
Debt Service	1,275,457	1,274,929
Food Services	1,464,152	1,507,375
Day Care Fund	73,280	48,881
Community Ed Fund	732	-
Total Expenses	<u>28,189,992</u>	<u>26,031,543</u>
Revenues in Deficiency of Expenses	<u>\$ (628,670)</u>	<u>\$ (1,113,349)</u>

### Governmental Funds Revenue

The majority of revenue was derived from state funding making up 68.6% and federal funding of 7.5% of total revenue. Local revenues make up 23.9% of total revenue (23.6% in 2014).

### District-Wide Support Allocation

District-wide support services expenditures were Transportation 7.2%, Maintenance & Operations 7.5%, and Business Functions 2.7% (as compared to 7.2%, 8.2%, and 3.1% in 2014, respectively).

The total cost of all programs and services for governmental activities was \$26,651,827, compared with \$24,477,096 in 2014.

The District's total revenues for the governmental funds for the fiscal year ended June 30, 2015 and 2014, net of inter-fund transfers and bond proceeds, was approximately \$23.9 million and \$23.3 million, respectively.

### Comments on Budget Comparisons

- After adjustments for contingency, the General fund budget compared to actual expenditures varied modestly from line item to line item with the ending actual balance being \$325,526 less than budget or approximately 1.7%.
- General Fund revenue compared to budget varied from line item to line item more this year than in the past due in part to an increase in state on-behalf payments.

## **Capital Assets**

At the end of June 30, 2015, the District's investment in capital assets for its governmental and business-type activities was \$43,520,716, representing a decrease of \$2,122,255 due primarily to depreciation for the current year.

## **Debt Service**

At year-end, the District had approximately \$29.7 million in outstanding debt, compared to \$31.1 million last year.

## **Budgetary Implications**

In Kentucky the public school fiscal year is July 1 - June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the District overall budget. By law the budget must have a minimum 2% contingency. The District adopted a budget with approximately \$652,746 in contingency (2.95%). The general fund cash balance for beginning the next fiscal year is \$1,184,514. There was no significant Board action that impacts the finances for the new year.

Questions regarding this report should be directed to the Superintendent, Anthony Strong or to his representative, Treasurer Jan Johnston at (859) 654-6911 or by mail at:

Pendleton County School District  
2525 Hwy 27 North  
Falmouth, Kentucky 41040

**PENDLETON COUNTY SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 2,234,691	\$ 360,873	\$ 2,595,564
Receivables (net of allowances for uncollectibles):			
Taxes	102,518	-	102,518
Other	11,276	-	11,276
Intergovernmental - state	311,129	-	311,129
Inventories	-	28,039	28,039
Capital assets, not being depreciated	674,221	-	674,221
Capital assets, being depreciated, net	42,353,921	492,574	42,846,495
Total assets	<u>45,687,756</u>	<u>881,486</u>	<u>46,569,242</u>
<b>Deferred Outflows of Resources</b>			
Deferred savings from refunding bonds	615,554	-	615,554
Deferred pension contributions	460,132	70,909	531,041
Total deferred outflows of resources	<u>1,075,686</u>	<u>70,909</u>	<u>1,146,595</u>
<b>Liabilities</b>			
Accounts payable	6,296	-	6,296
Accrued salaries and benefits	83,508	-	83,508
Accrued interest payable	106,583	-	106,583
Deferred revenue	334,019	-	334,019
Portion due or payable within one year:			
Accrued sick leave	-	-	-
KSBIT payable	8,492	-	8,492
Bond and capital lease obligations	2,349,314	-	2,349,314
Portion due or payable after one year:			
Accrued sick leave	434,165	-	434,165
Net pension liability	3,737,959	576,041	4,314,000
KSBIT payable	42,458	-	42,458
Bond and capital lease obligations	27,348,336	-	27,348,336
Total liabilities	<u>34,451,130</u>	<u>576,041</u>	<u>35,027,171</u>
<b>Deferred inflows of resources</b>			
Deferred pension investment earnings	417,640	64,360	482,000
Total deferred inflows of resources	<u>417,640</u>	<u>64,360</u>	<u>482,000</u>
<b>Net Position</b>			
Net investment in capital assets	13,946,046	492,574	14,438,620
Restricted for:			
Capital projects	1,026,232	-	1,026,232
Other	-	(180,580)	(180,580)
Unrestricted	(3,077,606)	-	(3,077,606)
Total net position	<u>\$ 11,894,672</u>	<u>\$ 311,994</u>	<u>\$ 12,206,666</u>

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

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary government:</b>							
Governmental activities:							
Instruction	\$ 15,543,403	\$ -	\$ 1,686,304	\$ -	\$ (13,857,099)	\$ -	\$ (13,857,099)
Support services:							
Students	1,258,463	-	267,870	-	(990,593)	-	(990,593)
Instructional staff	888,001	-	477,824	-	(410,177)	-	(410,177)
District administration	1,360,244	-	79,061	-	(1,281,183)	-	(1,281,183)
School administration	1,191,256	-	-	-	(1,191,256)	-	(1,191,256)
Business and other support services	747,734	-	27,762	-	(719,972)	-	(719,972)
Operation and maintenance of plant	2,121,530	-	-	-	(2,121,530)	-	(2,121,530)
Student transportation	2,041,142	-	97,560	-	(1,943,582)	-	(1,943,582)
Other instructional	28,585	-	28,585	-	-	-	-
Community services	196,013	-	195,330	-	(683)	-	(683.00)
Interest	1,275,457	-	-	320,486	(954,971)	-	(954,971)
Total governmental activities	<u>26,651,828</u>	<u>-</u>	<u>2,860,296</u>	<u>320,486</u>	<u>(23,471,046)</u>	<u>-</u>	<u>(23,471,046)</u>
Business-type activities:							
Food service	1,464,152	401,141	1,163,373	-	-	100,362	100,362
Day Care Fund	73,280	67,191	-	-	-	(6,089)	(6,089)
Community Ed Fund	732	480	-	-	-	(252)	(252.00)
Total business-type activities	<u>1,538,164</u>	<u>468,812</u>	<u>1,163,373</u>	<u>-</u>	<u>-</u>	<u>94,021</u>	<u>94,021</u>
Total primary government	<u>\$ 28,189,992</u>	<u>\$ 468,812</u>	<u>\$ 4,023,669</u>	<u>\$ 320,486</u>	<u>\$ (23,471,046)</u>	<u>\$ 94,021</u>	<u>\$ (23,377,025)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					\$ 3,806,316	\$ -	\$ 3,806,316
Motor vehicle					539,979	-	539,979
Utilities					712,916	-	712,916
Intergovernmental revenues:							
State					17,022,541	-	17,022,541
Investment earnings					15,660	3,263	18,923
Other local revenues					642,680	5,000	647,680
Transfers					91,467	(91,467)	-
Total general revenues and transfers					<u>22,831,559</u>	<u>(83,204)</u>	<u>22,748,355</u>
Change in net position					(639,487)	10,817	(628,670)
Net position, June 30, 2014, as restated					<u>12,534,159</u>	<u>301,177</u>	<u>12,835,336</u>
Net position, June 30, 2015					<u>\$ 11,894,672</u>	<u>\$ 311,994</u>	<u>\$ 12,206,666</u>

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

PENDLETON COUNTY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

	General Fund	Special Revenue Fund	FSPK Building Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and cash equivalents	\$ 1,184,514	\$ 23,945	\$ 680,242	\$ 2	\$ 345,988	\$ 2,234,691
Receivables (net of allowances for uncollectibles):						
Taxes	102,518	-	-	-	-	102,518
Other	11,276	-	-	-	-	11,276
Intergovernmental - state	-	311,129	-	-	-	311,129
Prepaid expenses	-	-	-	-	-	-
Total assets	<u>\$ 1,298,308</u>	<u>\$ 335,074</u>	<u>\$ 680,242</u>	<u>\$ 2</u>	<u>\$ 345,988</u>	<u>\$ 2,659,614</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 5,241	\$ 1,055	\$ -	\$ -	\$ -	\$ 6,296
Accrued salaries and benefits	83,508	-	-	-	-	83,508
Deferred revenue	-	334,019	-	-	-	334,019
Total liabilities	<u>88,749</u>	<u>335,074</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>423,823</u>
<b>Fund balances:</b>						
Restricted	-	-	680,242	2	345,988	1,026,232
Committed	217,083	-	-	-	-	217,083
Unassigned	992,476	-	-	-	-	992,476
Total fund balances	<u>1,209,559</u>	<u>-</u>	<u>680,242</u>	<u>2</u>	<u>345,988</u>	<u>2,235,791</u>
Total liabilities and fund balances	<u>\$ 1,298,308</u>	<u>\$ 335,074</u>	<u>\$ 680,242</u>	<u>\$ 2</u>	<u>\$ 345,988</u>	<u>\$ 2,659,614</u>

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

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

Fund balances—total governmental funds		\$ 2,235,791
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		43,028,142
Savings from refunding bonds are not available to pay current period expenditures and therefore are not reported in the funds.		615,554
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Deferred pension investment earnings	(417,640)	
Deferred pension contributions	460,132	42,492
Some liabilities, including bonds, capital leases, and accrued sick therefore, are not reported in the governmental funds financial statements.		
Net pension liability	(3,737,959)	
Bonds payable	(28,365,100)	
Capital leases payable	(1,332,550)	
Accrued interest payable	(106,583)	
Accrued sick leave	(434,165)	
KSBIT payable	(50,950)	(34,027,307)
Net position of governmental activities		\$ 11,894,672

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

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

	General Fund	Special Revenue Fund	FSPK Building Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
From local sources:						
Taxes -						
Property	\$ 2,732,469	\$ -	\$ 1,073,847	\$ -	\$ -	\$ 3,806,316
Motor vehicles	539,979	-	-	-	-	539,979
Utilities	712,916	-	-	-	-	712,916
Interest income	15,660	-	-	-	-	15,660
Other local revenues	287,292	134,181	-	-	221,207	642,680
Intergovernmental - State	14,022,764	933,760	937,482	320,486	220,745	16,435,237
Intergovernmental - Indirect federal	-	1,573,626	-	-	-	1,573,626
Intergovernmental - Direct federal	66,552	165,751	-	-	-	232,303
Total revenues	<u>18,377,632</u>	<u>2,807,318</u>	<u>2,011,329</u>	<u>320,486</u>	<u>441,952</u>	<u>23,958,717</u>
Expenditures:						
Current:						
Instruction	10,234,964	1,686,304	-	-	93,874	12,015,142
Support services:						
Students	898,028	267,870	-	-	-	1,165,898
Instructional staff	408,321	477,824	-	-	-	886,145
District administration	1,281,124	79,061	-	-	-	1,360,185
School administration	1,197,696	-	-	-	-	1,197,696
Business and other support services	722,984	27,762	-	-	-	750,746
Operation and maintenance of plant	2,050,996	-	-	-	-	2,050,996
Student transportation	1,684,043	97,560	-	-	-	1,781,603
Other instructional	-	28,585	-	-	-	28,585
Community services	-	195,330	-	-	-	195,330
Debt service	415,482	-	-	2,892,637	142,710	3,450,829
Total expenditures	<u>18,893,638</u>	<u>2,860,296</u>	<u>-</u>	<u>2,892,637</u>	<u>236,584</u>	<u>24,883,155</u>
Excess (deficiency) of revenues over expenditures	<u>(516,006)</u>	<u>(52,978)</u>	<u>2,011,329</u>	<u>(2,572,151)</u>	<u>205,368</u>	<u>(924,438)</u>
Other financing sources (uses):						
Bond proceeds	-	-	-	9,475,000	-	9,475,000
Payment to bond escrow agent	-	-	-	(9,446,202)	-	(9,446,202)
Transfers in	825,557	52,978	-	2,543,353	145,054	3,566,942
Transfers out	(364,257)	-	(2,890,473)	-	(220,745)	(3,475,475)
Total other financing sources and uses	<u>461,300</u>	<u>52,978</u>	<u>(2,890,473)</u>	<u>2,572,151</u>	<u>(75,691)</u>	<u>120,265</u>
Net change in fund balances	(54,706)	-	(879,144)	-	129,677	(804,173)
Fund balances, June 30, 2014	<u>1,264,265</u>	<u>-</u>	<u>1,559,386</u>	<u>2</u>	<u>216,311</u>	<u>3,039,964</u>
Fund balances, June 30, 2015	<u>\$ 1,209,559</u>	<u>\$ -</u>	<u>\$ 680,242</u>	<u>\$ 2</u>	<u>\$ 345,988</u>	<u>\$ 2,235,791</u>

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

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

Net change in fund balances—total governmental funds \$ (804,173)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	465,632	
Depreciation expense	<u>(2,546,986)</u>	(2,081,354)

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

Long-term portion of accrued sick leave		(61,732)
Interest payable		147,076
Capitalized savings from bond refundings amortization expense		(25,648)

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

KTRS on-behalf revenue	1,962,157	
KTRS on-behalf pension expense	(1,962,157)	
CERS contributions	460,132	
Pension expense	<u>(298,934)</u>	161,198

Bond and capital lease proceeds, including related premiums and discounts, are recognized as revenues in the fund financial statement, but are increases in liabilities in the statement of net position.

Bonds and refunding bonds issued	(9,475,000)	
Payments to refunded bond escrow agent	<u>8,805,000</u>	(670,000)

Governmental funds do not report the effect of gain or losses on refunding of debt, whereas these amounts are deferred and amortized in the statement of activities.

641,202

Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.

2,053,944

Change in net position of governmental activities

\$ (639,487)

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

**PENDLETON COUNTY SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2015**

	Food Service Fund	Day Care Fund	Community Education Fund	Total Proprietary Funds
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 337,950	\$ 21,852	\$ 1,071	\$ 360,873
Accounts receivable	-	-	-	-
Inventories	28,039	-	-	28,039
Total current assets	<u>365,989</u>	<u>21,852</u>	<u>1,071</u>	<u>388,912</u>
Noncurrent assets:				
Capital assets, net of accumulated depreciation	492,574	-	-	492,574
Total noncurrent assets	<u>492,574</u>	<u>-</u>	<u>-</u>	<u>492,574</u>
Total assets	<u>858,563</u>	<u>21,852</u>	<u>1,071</u>	<u>881,486</u>
<b>Deferred Outflows of Resources</b>				
Deferred pension contributions	70,909	-	-	70,909
Total deferred outflows of resources	<u>70,909</u>	<u>-</u>	<u>-</u>	<u>70,909</u>
Total assets and deferred outflows	<u>\$ 929,472</u>	<u>\$ 21,852</u>	<u>\$ 1,071</u>	<u>\$ 952,395</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Overdraft payable	-	-	-	-
Total current liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Noncurrent liabilities:				
Net pension liability	576,041	-	-	576,041
Total liabilities	<u>576,041</u>	<u>-</u>	<u>-</u>	<u>576,041</u>
<b>Deferred Inflows of Resources</b>				
Deferred earnings on pension investments	64,360	-	-	64,360
Total deferred inflows of resources	<u>64,360</u>	<u>-</u>	<u>-</u>	<u>64,360</u>
<b>Net Position</b>				
Invested in capital assets	492,574	-	-	492,574
Restricted	(203,503)	21,852	1,071	(180,580)
Total net position	<u>289,071</u>	<u>21,852</u>	<u>1,071</u>	<u>311,994</u>
Total liabilities and net position	<u>\$ 929,472</u>	<u>\$ 21,852</u>	<u>\$ 1,071</u>	<u>\$ 952,395</u>

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

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

	Food Service Fund	Day Care Fund	Community Education Fund	Total Proprietary Funds
Operating revenues:				
Lunchroom sales	\$ 401,141	\$ -	\$ -	\$ 401,141
Other operating revenues	-	67,191	480	67,671
Total operating revenues	<u>401,141</u>	<u>67,191</u>	<u>480</u>	<u>468,812</u>
Operating expenses:				
Salaries and wages	420,236	40,491	-	460,727
Employee benefits	261,845	27,959	-	289,804
Materials and supplies	738,202	4,168	-	742,370
Depreciation	40,901	-	-	40,901
Other operating expenses	2,968	662	732	4,362
Total operating expenses	<u>1,464,152</u>	<u>73,280</u>	<u>732</u>	<u>1,538,164</u>
Operating income (loss)	<u>(1,063,011)</u>	<u>(6,089)</u>	<u>(252)</u>	<u>(1,069,352)</u>
Nonoperating revenues :				
Federal grants	874,822	-	-	874,822
Investment income	3,263	-	-	3,263
On-behalf payments	174,044	18,769	-	192,813
Donated commodities	82,888	-	-	82,888
Gain on sale of assets	5,000	-	-	5,000
Transfer out	(91,467)	-	-	(91,467)
State grants	12,850	-	-	12,850
Total nonoperating revenue	<u>1,061,400</u>	<u>18,769</u>	<u>-</u>	<u>1,080,169</u>
Increase (decrease) in net position	(1,611)	12,680	(252)	10,817
Net position, June 30, 2014, as restated	<u>290,682</u>	<u>9,172</u>	<u>1,323</u>	<u>301,177</u>
Net position, June 30, 2015	<u>\$ 289,071</u>	<u>\$ 21,852</u>	<u>\$ 1,071</u>	<u>\$ 311,994</u>

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

**PENDLETON COUNTY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015**

	Food Service Fund	Day Care Fund	Community Education Fund	Total Proprietary Funds
Cash flows from operating activities:				
Cash received from:				
Lunchroom sales and fees charged	\$ 401,141	\$ 67,191	\$ 480	\$ 468,812
Cash paid to/for:				
Payments to suppliers and providers of goods and services	(651,321)	(4,168)	-	(655,489)
Payments to employees	(532,879)	(49,681)	-	(582,560)
Other payments	(2,968)	(662)	(732)	(4,362)
Net cash provided by (used for) operating activities	<u>(786,027)</u>	<u>12,680</u>	<u>(252)</u>	<u>(773,599)</u>
Cash flows from noncapital financing activities:				
Transfer out	(91,467)	-	-	(91,467)
Government grants	887,672	-	-	887,672
Net cash provided by noncapital and related financing activities	<u>796,205</u>	<u>-</u>	<u>-</u>	<u>796,205</u>
Cash flows from capital and related financing activities:				
Proceeds from sale of assets	5,000	-	-	5,000
Net cash used for capital and related financing activities	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>5,000</u>
Cash flows from investing activities:				
Interest received on investments	3,263	-	-	3,263
Net cash provided by investing activities	<u>3,263</u>	<u>-</u>	<u>-</u>	<u>3,263</u>
Net increase (decrease) in cash and cash equivalents	18,441	12,680	(252)	30,869
Cash and cash equivalents, June 30, 2014	<u>319,509</u>	<u>9,172</u>	<u>1,323</u>	<u>330,004</u>
Cash and cash equivalents, June 30, 2015	<u>\$ 337,950</u>	<u>\$ 21,852</u>	<u>\$ 1,071</u>	<u>\$ 360,873</u>
Reconciliation of operating loss to net cash provided by (used for) operating activities:				
Operating loss	\$ (1,063,011)	\$ (6,089)	\$ (252)	\$ (1,069,352)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:				
Depreciation	40,901	-	-	40,901
Donated commodities	82,888	-	-	82,888
On-behalf payments	174,044	18,769	-	192,813
Net pension expense	(24,842)	-	-	(24,842)
Change in assets and liabilities:				
Inventory	3,993	-	-	3,993
Accounts payable	-	-	-	-
Net cash provided by (used for) operating activities	<u>\$ (786,027)</u>	<u>\$ 12,680</u>	<u>\$ (252)</u>	<u>\$ (773,599)</u>
Non-cash items:				
Donated commodities	\$ 82,888	\$ -	\$ -	\$ 82,888
On-behalf payments	174,044	18,769	-	192,813

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

**PENDLETON COUNTY SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2015**

	Agency Funds
<b>Assets</b>	
Cash and cash equivalents	\$ 320,168
Accounts receivable	1,993
Total assets	322,161
 <b>Liabilities</b>	
Accounts payable	33,237
Due to students	288,924
Total liabilities	322,161
 <b>Net position held in trust</b>	 \$ -

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

**PENDLETON COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes -				
Property	\$ 2,906,118	\$ 3,064,848	\$ 2,732,469	\$ (332,379)
Motor vehicles	533,675	525,000	539,979	14,979
Utilities	542,000	796,250	712,916	(83,334)
Interest income	20,000	20,000	15,660	(4,340)
Other local revenues	315,600	1,047,940	287,292	(760,648)
Intergovernmental - State	13,855,853	13,605,107	14,022,764	417,657
Intergovernmental - Direct federal	30,000	50,000	66,552	16,552
Total revenues	<u>18,203,246</u>	<u>19,109,145</u>	<u>18,377,632</u>	<u>(731,513)</u>
Expenditures:				
Current:				
Instruction	10,248,147	10,322,587	10,234,964	87,623
Support services:				
Students	892,293	971,939	898,028	73,911
Instructional staff	426,817	571,905	408,321	163,584
District administration	1,306,781	1,384,274	1,281,124	103,150
School administration	1,246,653	1,270,839	722,984	547,855
Business and other support services	858,554	702,583	1,197,696	(495,113)
Operation and maintenance of plant	2,309,503	2,202,248	2,050,996	151,252
Student transportation	1,531,347	1,377,307	1,684,043	(306,736)
Community service	32,788	-	-	-
Debt service	234,897	415,482	415,482	-
Contingency	652,746	652,746	-	652,746
Total expenditures	<u>19,740,526</u>	<u>19,871,910</u>	<u>18,893,638</u>	<u>978,272</u>
Excess (deficiency) of revenues over expenditures	<u>(1,537,280)</u>	<u>(762,765)</u>	<u>(516,006)</u>	<u>246,759</u>
Other financing sources (uses):				
Lease proceeds	10,000	10,000	-	(10,000)
Transfers in	64,000	64,000	825,557	761,557
Transfers out	(36,629)	(337,769)	(364,257)	(26,488)
Total other financing sources and uses	<u>37,371</u>	<u>(263,769)</u>	<u>461,300</u>	<u>725,069</u>
Net change in fund balances	<u>(1,499,909)</u>	<u>(1,026,534)</u>	<u>(54,706)</u>	<u>971,828</u>
Fund balances, June 30, 2014	<u>1,499,909</u>	<u>1,026,534</u>	<u>1,264,265</u>	<u>237,731</u>
Fund balances, June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,209,559</u>	<u>\$ 1,209,559</u>

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

**PENDLETON COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**SPECIAL REVENUE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Interest income	\$ -	\$ -	\$ -	\$ -
Other local revenues	-	13,500	134,181	120,681
Intergovernmental - State	905,372	1,008,556	933,760	(74,796)
Intergovernmental - Indirect federal	1,251,327	1,477,216	1,573,626	96,410
Intergovernmental - Direct federal	42,000	171,004	165,751	(5,253)
Total revenues	<u>2,198,699</u>	<u>2,670,276</u>	<u>2,807,318</u>	<u>137,042</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Instruction	1,532,354	1,576,120	1,686,304	(110,184)
<b>Support services:</b>				
Students	23,073	151,685	267,870	(116,185)
Instructional staff	392,665	557,282	477,824	79,458
District administration	-	-	79,061	(79,061)
School administration	-	3,636	-	3,636
Business and other support services	2,436	135,802	27,762	108,040
Student transportation	100,170	115,445	97,560	17,885
Other instructional	28,585	28,585	28,585	-
Community services	156,043	169,836	195,330	(25,494)
Operation of non-instructional services	-	-	-	-
Total expenditures	<u>2,235,326</u>	<u>2,738,391</u>	<u>2,860,296</u>	<u>(121,905)</u>
Excess (deficiency) of revenues over expenditures	<u>(36,627)</u>	<u>(68,115)</u>	<u>(52,978)</u>	<u>15,137</u>
<b>Other financing sources (uses):</b>				
Transfers in	36,627	45,252	52,978	7,726
Transfers out	-	-	-	-
Total other financing sources and uses	<u>36,627</u>	<u>45,252</u>	<u>52,978</u>	<u>7,726</u>
Net change in fund balances	-	(22,863)	-	22,863
Fund balances, June 30, 2014	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, June 30, 2015	<u>\$ -</u>	<u>\$ (22,863)</u>	<u>\$ -</u>	<u>\$ 22,863</u>

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

**PENDLETON COUNTY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**(1) REPORTING ENTITY**

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

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

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

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements. Copies of this organization’s financial statements may be obtained from the District’s Finance Office at 2525 Hwy 27 North, Falmouth, Kentucky 41040.

Pendleton County Board of Education Finance Corporation - In a prior year the Board of Education resolved to authorize the establishment of the Pendleton County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the “Corporation”) as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation’s Board of Directors. Copies of component unit reports may be obtained from the District’s Finance office.

**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS**

Basis of Presentation

The accounting policies of the Pendleton County School District substantially comply with the rules prescribed by the Kentucky Department of Education for local school districts.

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

Government-wide statements provide information about the primary government (the District). The statements include a statement of net position and a statement of activities. These statements report the financial activities of the overall government, except for fiduciary activities. They also

distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

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

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities and segment of its business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses to programs or functions, except where allowable for certain grant programs. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including internally dedicated resources and all taxes, are reported as general revenues, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund financial statements provide information about the District's funds, including fiduciary funds. Separate statements are presented for the governmental, proprietary, and fiduciary fund categories. The emphasis of fund financial statements is on major funds, each displayed in a separate column. All remaining funds are aggregated and reported as non-major funds. Fiduciary funds are aggregated and reported by fund type.

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

The District has the following funds:

I. Governmental Fund Types

- A. The General Fund is the main operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- B. The Special Revenue Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes.
  - 1. The Special Revenue Fund includes federal financial 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. This is a major fund of the District.

- C. The District Activity Fund is a special revenue fund used to account for funds collected at individual schools for operational costs of the school or school district that allows for more flexibility in the expenditure of those funds.
- D. Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by the Proprietary Fund).
  - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the State as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
  - 2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan. This is a major fund of the District.
  - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.
- E. Debt Service Fund  
The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related costs; and for the payment of interest on general obligation notes payable, as required by Kentucky Law. This is a major fund of the District.

## II. Proprietary Fund Types (Enterprise Fund)

- A. The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund.
- B. The Community Education Fund is used to account for fee-based classes. This is listed as a major fund due to the nature of the activity.
- C. The Day Care Fund is used to account for day care activities. This is listed as a major fund due to the nature of the activity.

## III. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)

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

### Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions - Revenues resulting from exchange transactions, in which each party receives essentially equal value, are 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 it can be recognized.

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

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

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue.

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

#### Property Taxes

Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2015, to finance the General Fund operations were \$.615 per \$100 valuation for real property, \$.615 per \$100 valuation for business personal property and \$.550 per \$100 valuation for motor vehicles. These rates include \$.06 per \$100 valuation that is committed to the Building Fund. The assessed value of property upon which the levy for the 2015 fiscal year was based, was \$622,892,130.

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 telegraphic communications services, cablevision services, electric power, water, and gas.

#### In-Kind

Local contributions, which include contributed services provided by individuals, private organizations and local governments, are used to match federal and state administered funding on various grants. The District also receives commodities from USDA. The amounts of such services

and commodities are recorded in the accompanying financial statements at their estimated fair market values.

### Cash and Cash Equivalents

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

### Inventories

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

### Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five thousand dollars (\$5,000) with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not capitalized.

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

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

### Interfund Balances

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

## Budgetary Process

The District is required by state law to adopt annual budgets. 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.

## Accrued Liabilities and Long-Term Obligations

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, all payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

## Fund Balance Reserves

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance-amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
- Restricted fund balance-amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance-amounts constrained to specific purposes by the District itself, using its decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the District takes the action to remove or change the constraint;
- Assigned fund balance-amounts the District intends to use for a specific purpose (such as encumbrances); intent can be expressed by the District or by an official or body to which the District delegates the authority;
- Unassigned fund balance-amounts that are available for any purpose; unassigned amounts are reported only in the General Fund.

## Net Position

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

## Operating Revenues and Expenses

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

## Interfund Activity

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

## Accumulated Unpaid Sick Leave Benefits

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

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

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

## Bond Issuance Costs

Debt issuance costs are expensed in the period they are incurred.

## Pension

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## New Accounting Pronouncements

The District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which requires employers participating in a multiple-employer cost-sharing plan to report net pension liability on the entity-wide statements for their proportionate share of the liability. See Note (13) for the effect of this adoption on beginning net position.

### (3) ESTIMATES

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

### (4) CASH AND CASH EQUIVALENTS

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

At year-end, the carrying amount of the District's total cash and cash equivalents was \$2,915,732 and the related bank balances totaled \$3,189,826. Of the total cash balance, \$645,848 was covered by Federal Depository insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

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

These three levels of risks are as follows:

- Category 1 Deposits, which are insured or collateralized with securities, held by the District or by its agent in the District's name.
- Category 2 Deposits, which are collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.
- Category 3 Deposits, which are not collateralized or insured.

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

Due to the nature of the accounts and certain limitations imposed on the use of funds, each bank account within the following funds is considered to be restricted: SEEK Capital Outlay Fund, Facility Support Program (FSPK) Fund, Education Building Fund, Special Revenue (Grant) Funds, Bond and Interest Redemption Fund, School Food Service Funds, and School Activity Funds.

### (5) CAPITAL ASSETS

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

<u>Governmental Activities</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2015</u>
Land	\$ 674,221	\$ -	\$ -	\$ 674,221
Land improvements	2,553,479	122,856	-	2,676,335
Buildings and improvements	55,405,077	73,332	-	55,478,409
Technology equipment	3,761,599	133,233	184,657	3,710,175
General equipment	1,718,914	62,304	-	1,781,218
Vehicles	3,661,888	134,311	-	3,796,199
Construction in progress	60,404	-	60,404	-
Totals	<u>67,835,582</u>	<u>526,036</u>	<u>245,061</u>	<u>68,116,557</u>

Less: accumulated depreciation				
Land improvements	1,358,372	128,850	-	1,487,222
Buildings and improvements	14,513,489	1,818,935	-	16,332,424
Technology equipment	3,115,497	304,412	184,657	3,235,252
General equipment	1,194,994	100,375	-	1,295,369
Vehicles	2,543,734	194,414	-	2,738,148
Total accumulated depreciation	<u>22,726,086</u>	<u>2,546,986</u>	<u>184,657</u>	<u>25,088,415</u>

Governmental Activities

Capital Assets - Net	\$ 45,109,496	\$ (2,020,950)	\$ 60,404	\$ 43,028,142
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Business-Type Activities (Food Service)

Buildings and improvements	\$ 875,390	\$ -	\$ -	\$ 875,390
Technology equipment	18,813	-	-	18,813
Vehicles	27,554	-	-	27,554
General equipment	850,017	-	-	850,017
	<u>1,771,774</u>	<u>-</u>	<u>-</u>	<u>1,771,774</u>

Less: accumulated depreciation  
(Food Service)

Buildings and improvements	452,128	17,507	-	469,635
Technology equipment	18,813	-	-	18,813
Vehicles	27,555	-	-	27,555
General equipment	739,803	23,394	-	763,197
	<u>1,238,299</u>	<u>40,901</u>	<u>-</u>	<u>1,279,200</u>

Business-Type Activities

Capital Assets - Net	\$ 533,475	\$ (40,901)	\$ -	\$ 492,574
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Depreciation expense was allocated to governmental functions as follows:

Instruction	\$ 2,096,863
Student support services	98,145
Instructional staff support services	4,187
District administration	2,705
Business support services	133
Plant operations & maintenance	76,276
Student transportation	267,994
Community services	683
	<u>\$ 2,546,986</u>

**(6) BONDED DEBT AND LEASE OBLIGATIONS**

The amount shown in the accompanying financial statements as debt obligations represents the District's future obligations to make lease payments relating to the bonds issued by the Pendleton County School District Finance Corporation, with original amounts of issues totaling \$45,622,050.

**Bonds**

The General Fund, including utility taxes, the Facility Support Program Fund and the SEEK Capital Outlay Fund are obligated to make lease payments. The lease agreements provide, among other things, (1) for rentals sufficient to satisfy debt service requirements on bonds issued by the Pendleton County School District Finance Corporation, and Kentucky School Facility Construction Commission (KSFCC) to construct school facilities and (2) the District with the option to purchase the property under lease at any time by retiring the bonds then outstanding. The proceeds from certain refunding issues have been placed in escrow accounts to be used to service the related debt.

The original amount of present outstanding issues, the issue dates, and interest rates are summarized below:

<u>ORIGINAL ISSUE</u>	<u>ISSUER</u>	<u>AMOUNT</u>	<u>INTEREST RATES</u>
Issue of 2005R	Pendleton County School District Finance Corporation & KSFCC	\$ 5,050,000	3.45%
Issue of 2007	Pendleton County School District Finance Corporation & KSFCC	13,600,000	4.00% to 4.13%
Issue of 2008R	Pendleton County School District Finance Corporation & KSFCC	2,150,000	2.00% to 3.25%
Issue of 2012R	Pendleton County School District Finance Corporation & KSFCC	657,050	2.00% to 6.50%
Issue of 2013R	Pendleton County School District Finance Corporation & KSFCC	14,690,000	2.00% to 3.75%
Issue of 2015R	Pendleton County School District Finance Corporation & KSFCC	9,475,000	2.00% to 2.50%

The bonds may be called prior to maturity dates at redemption premiums specified in each issue.

In connection with the bond issues, the District entered into a participation agreement with the Kentucky School Facilities Construction Commission, whereby the Commission has agreed to provide amounts on an annual basis (reflected in the following table) toward the payment of principal and interest requirements on the bonds. The agreement is in effect for a period of two years. The obligation of the Commission to make said payments shall automatically renew every two years, unless the Commission provides the District notice of its intention not to participate within sixty days prior to the expiration of the two year period.

Assuming no issues are called prior to scheduled maturity, the minimum obligations of the funds at June 30, 2015, for bond debt service, (principal and interest) are as shown below:

<u>Year</u>	<u>Kentucky School Facilities Construction Commission</u>		<u>Pendleton County School District</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2016	\$ 207,682	\$ 43,575	\$ 1,827,518	\$ 776,185	\$ 2,854,960
2017	179,324	37,243	1,856,876	743,639	2,817,082
2018	185,470	31,095	1,908,230	690,821	2,815,616
2019	191,886	24,678	1,848,114	636,316	2,700,994
2020	80,286	18,034	1,899,714	574,272	2,572,306
2021-2025	435,581	56,016	10,204,419	2,030,214	12,726,230
2026-2030	189,503	7,136	7,350,497	576,648	8,123,784
	<u>\$1,469,732</u>	<u>\$ 217,777</u>	<u>\$ 26,895,368</u>	<u>\$ 6,028,095</u>	<u>\$ 34,610,972</u>

Future minimum debt service on notes payable to KISTA, at June 30, 2015, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 314,114	\$ 39,956	\$ 354,070
2017	262,086	28,204	290,290
2018	191,210	19,819	211,029
2019	156,529	14,406	170,935
2020	127,934	10,058	137,992
2021-2024	280,677	16,214	296,891
	<u>\$1,332,550</u>	<u>\$ 128,657</u>	<u>\$ 1,461,207</u>

On January 1, 2015, the District issued \$9,475,000 in refunding bonds with an average rate of 2.42% to advance refund \$8,835,000 of the series of 2007 bonds with an average rate of 4.00%. The proceeds of the refunding bonds were used to purchase U.S. government securities, which were deposited in an irrevocable trust with an escrow agent to provide for all future payments on the refunded bonds. Thus, the refunded bonds in the amount of \$8,835,000 are considered to be defeased and the liability for those bonds has been removed from liabilities.

This advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$641,202. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations through the year 2027 using the straight-line method. Additionally, the District reduced its total debt service payments over the following 12 years by \$650,467 and obtained an economic gain (difference between the present values of the debt service payments of the old and new bonds) of \$537,727.

### KSBIT Payable

The Kentucky School Boards Insurance Trust (“KSBIT”) notified the District during fiscal year 2013 that their self-insurance pools for worker’s compensation and liability insurance were underfunded. As a result, an assessment will be required under a fair methodology to be approved by the Kentucky Department of Insurance, of current and past participating members to fund the deficit and the transfer of liability to a qualified insurer/reinsurer. On May 13, 2014, the court approved the plan of assessment tendered by KSBIT and approved the Loss Portfolio Transfer to Kentucky Employers Mutual Insurance (“KEMI”). As a result, the District’s workers’ compensation portion of the liability was estimated at \$67,934. The District took the option of paying 25% down by August 31, 2014 and financing the remaining balance over 6 years to be paid in equal annual installments beginning August 31, 2015 with no interest. The following is a schedule by year of payments:

<u>Year Ending</u>	
2016	\$ 8,492
2017	8,492
2018	8,492
2019	8,492
2020	8,492
2021	8,490
	<u>\$ 50,950</u>

A summary of activity in bond obligations and other debts is as follows:

<u>Description</u>	<u>Balance at June 30, 2014</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance at June 30, 2015</u>
General obligation bonds - \$45,622,050 originally issued with interest rates ranging from 2.00% to 6.50%	\$ 29,634,000	\$ 9,475,000	\$10,743,900	\$ 28,365,100
KISTA Loans	1,447,593	202,399	317,442	1,332,550
KSBIT Liability	50,950	-	-	50,950
Accumulated unpaid sick leave benefits	372,433	136,347	74,615	434,165
	<u>\$ 31,504,976</u>	<u>\$ 9,813,746</u>	<u>\$11,135,957</u>	<u>\$ 30,182,765</u>

## (7) RETIREMENT PLANS

### Kentucky Teachers Retirement System

*Plan description:* Teaching-certified employees of the Kentucky School District 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 state. KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (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](http://www.ktrs.ky.gov/05_publications/index.htm).

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

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

Participants that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university members 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 members (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 is less than ten years. New members 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, members 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, KTRS has been amended to change the benefit structure for members 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. Members 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 members 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 members and \$5,000 for retired or disabled members.

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

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

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions in the amount 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. University employers contribute 15.36% of salaries of members. For local school district and regional cooperative members 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, Kentucky Revised Statute 161.675 requires KTRS to provide post-employment healthcare benefits to eligible members and dependents. The KTRS Medical Insurance benefit 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 members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired members 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 (6.00%) of the gross annual payroll of members before July 1, 2008 is contributed. Three percent (3.00%) is paid by member contributions and three quarters percent (.75%) from state appropriation and two and one quarter percent (2.25%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

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

At June 30, 2015, the District did not report a liability for its proportionate share of the net pension liability 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 State 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 net Pension liability	\$ -
Commonwealth's proportionate share of the Net Pension liability associated with the District	65,624,544
	<u>\$ 65,624,544</u>

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the actual liability of the employees and former employees relative to the total liability of the Commonwealth as determined by the actuary. At June 30, 2014, the District's proportion was 0.3194%.

For the year ended June 30, 2014, the District recognized pension expense of \$3,215,736 and revenue of \$3,215,736 for support provided by the State.

*Actuarial Methods and 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:

Valuation Date	June 30, 2014
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	30 years
Asset Valuation Method	5-year smoothed market
Single Equivalent Interest Rate	5.23%
Municipal Bond Index Rate	4.35%
Inflation	3.5%
Salary Increase	4.0-8.2%, including inflation
Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with a 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.

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by KTRS's investment consultant, are summarized in the following table:

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

*Discount Rate:* 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 members 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.

The following table presents the net pension liability of the Commonwealth associated with the District, calculated using the discount rate of 5.23%, as well as what the Commonwealth's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.23%) or 1-percentage-point higher (6.23%) than the current rate:

	1% Decrease (4.23%)	Current discount rate (5.23%)	1% Increase (6.23%)
Commonwealth's proportionate share of the Net Pension liability associated with the District	\$ 86,629,712	\$ 65,624,544	\$ 54,387,406

*Pension plan fiduciary net position:* Detailed information about the pension plan's fiduciary net position is available in the separately issued KTRS financial report which is publically available at <http://www.ktrs.ky.gov/>.

### County Employees Retirement System

*Plan description:* Substantially all full-time classified employees of the District participate in the County Employees Retirement System ("CERS"). CERS is a cost-sharing, multiple-employer, defined benefit pension plan administered by the Kentucky General Assembly. The plan covers substantially all regular full-time members employed in non-hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in the plan. The plan provides for retirement, disability and death benefits to plan members.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601, or by calling (502) 564-4646 or at <https://kyret.ky.gov>.

*Benefits provided:* Benefits under the plan will vary based on final compensation, years of service and other factors as fully described in the plan documents.

*Contributions:* Funding for CERS is provided by members who contribute 5% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions and by employers of members who contribute 18.89% of the member's salary. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2014. An expected total pension liability as of June 30, 2014 was determined using standard roll-forward techniques. The District's proportion of the net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2014. At June 30, 2014, the District's proportion was 0.13298%.

For the year ended June 30, 2015, the District recognized pension expense of \$345,000. At June 30, 2015, the District reported deferred outflows of resources for District contributions subsequent to the measurement date of \$531,041. These contributions will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

The District reported deferred inflows of resources related to pensions from the net difference between projected and actual earnings on pension plan investments in the amount of \$482,000. These amounts will be recognized in pension expense as follows:

<u>Year</u>	
2016	\$ 96,400
2017	96,400
2018	96,400
2019	96,400
2019	96,400
	<u>\$ 482,000</u>

*Actuarial Methods and Assumptions:* The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2014. The financial reporting actuarial valuation as of June 30, 2014, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2014
Experience Study	July 1, 2005 – June 30, 2008
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	30 years
Asset Valuation Method	5-year smoothed market
Inflation	3.5%
Salary Increase	4.5%, average, including inflation
Investment Rate of Return	7.75%, net of pension plan investment expense, including inflation

The rates of mortality for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other members. The Group Annuity Mortality Table set forward five years is used for the period after disability retirement. The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for KRS. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a 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.

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 asset allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by CERS's investment consultant, are summarized in the following table:

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

*Discount Rate:* 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 members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.75%. The long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Deferred Inflows and Outflows, and Pension Expense include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The Schedule does not include deferred outflows/inflows of resources for changes in the employer's proportionate share of contributions or employer contributions made subsequent to the measurement date. The net pension liability as of June 30, 2014, is based on the June 30, 2014, actuarial valuation for the first year of implementation. As a result, there are no differences between expected and actual experience or changes in assumptions subject to amortization. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period.

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

	<u>1% Decrease (6.75%)</u>	<u>Current discount rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 5,677,000	\$ 4,314,000	\$ 3,110,000

*Pension plan fiduciary net position:* Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report which is publically available at <https://kyret.ky.gov>.

*Payables to the pension plan:* At June 30, 2015 and 2014, there were no payables to CERS.

## **(8) CONTINGENCIES**

The District receives funding from Federal and State government agencies. These funds are to be used for designated purposes only. For Government agency grants, if based on the grantor's review

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

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

**(9) RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky Employer's Mutual 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 participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

The 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.

**(10) COBRA**

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. It is management's opinion that the District is in compliance with the COBRA requirements.

**(11) TRANSFER OF FUNDS**

The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	General	Special Revenue	Technology Match	\$ 52,978
Construction	Building	Construction	Construction	145,054
Operating	Food Service	General	Indirect Costs	91,467
Debt Service	General	Debt Service	Debt Service	311,279
Debt Service	Capital Outlay	Debt Service	Debt Service	220,745
Debt Service	Building	Debt Service	Debt Service	2,011,329
Debt Service	Building	General	Debt Service	734,090

## (12) ON-BEHALF PAYMENTS

For the year ended June 30, 2015, total payments of \$6,034,417 were made by the Commonwealth of Kentucky on behalf of the District for life insurance, health insurance, and KTRS matching and administrative fees, and vocational education. These payments were recognized as on-behalf payments and are recorded in the appropriate revenue and expense account on the Statement of Activities and the Government Funds Statement of Revenue, Expenditures and Changes in Fund Balance.

On-behalf payments at June 30, 2015 consisted of the following:

Teacher Retirement	\$ 1,253,579
Health & Life Insurance	2,361,520
Life Insurance	4,280
Admin Fee	29,427
HRA/Dental/Vision	138,082
Federal Reimbursement	(95,784)
Technology	60,670
Debt Service	<u>320,486</u>
<b>Recognized at the fund level</b>	<b>4,072,260</b>
Additional pension expense recognized at the Government-wide level	<u>1,962,157</u>
<b>Total on-behalf</b>	<b><u>\$ 6,034,417</u></b>

## (13) PRIOR PERIOD ADJUSTMENTS

Net position as of June 30, 2014, has been restated as follows for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

	Governmental Activities	Business-Type Activities	Total
Net Position as previously reported at June 30, 2014	<u>\$ 16,390,825</u>	<u>\$ 895,511</u>	<u>\$ 17,286,336</u>
Prior period adjustment implementation of GASB 68:			
Net pension liability (measurement date as of June 30, 2013)	(4,356,035)	(671,271)	(5,027,306)
Deferred outflows District contributions made during fiscal year 2014	<u>499,369</u>	<u>76,937</u>	<u>576,306</u>
Total prior period adjustment for GASB 68	<u>(3,856,666)</u>	<u>(594,334)</u>	<u>(4,451,000)</u>
Net position as restated, June 30, 2014	<u>\$ 12,534,159</u>	<u>\$ 301,177</u>	<u>\$ 12,835,336</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

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

	Reporting Fiscal Year (Measurement Date)
	2015 (2014)
<b>COUNTY EMPLOYEES RETIREMENT SYSTEM:</b>	
District's proportion of the net pension liability	0.13298%
District's proportionate share of the net pension liability	\$ 4,314,000
District's covered-employee payroll	\$ 3,082,933
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	139.932%
Plan fiduciary net position as a percentage of the total pension liability	66.800%
<b>KENTUCKY TEACHER'S RETIREMENT SYSTEM:</b>	
District's proportion of the net pension liability	0.3194%
District's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the District	\$ 65,624,544
Total	\$ 65,624,544
District's covered-employee payroll	\$ 9,940,433
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.000%
Plan fiduciary net position as a percentage of the total pension liability	45.590%

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

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

	<u>2015</u>	<u>2014</u>
<b>COUNTY EMPLOYEES RETIREMENT SYSTEM:</b>		
Contractually required contribution	\$ 531,014	\$ 582,366
Contributions in relation to the contractually required contribution	<u>531,014</u>	<u>582,366</u>
Contribution deficiency (excess)	-	-
District's covered-employee payroll	\$ 3,005,325	\$ 3,082,933
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	17.67%	18.89%
 <b>KENTUCKY TEACHER'S RETIREMENT SYSTEM:</b>		
Contractually required contribution	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	-	-
District's covered-employee payroll	\$10,235,019	\$ 9,940,433
District's contributions as a percentage of its covered-employee payroll	0.00%	0.00%

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

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

**(1) CHANGES OF ASSUMPTIONS**

KTRS

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

CERS

There were no changes of assumptions.

**(2) METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS**

KTRS

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

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

CERS

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

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

**(3) CHANGES OF BENEFITS**

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

**SUPPLEMENTARY INFORMATION**

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

	District Activity Fund	SEEK Capital Outlay Fund	Construction Fund	Total Non-Major Governmental Funds
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 127,333	\$ 179,497	\$ 39,158	\$ 345,988
Accounts receivable	-	-	-	-
Total assets	\$ 127,333	\$ 179,497	\$ 39,158	\$ 345,988
<b>LIABILITIES AND FUND BALANCE:</b>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total liabilities	-	-	-	-
Fund Balances:				
Restricted	127,333	179,497	39,158	345,988
Total fund balance	127,333	179,497	39,158	345,988
Total liabilities and fund balances	\$ 127,333	\$ 179,497	\$ 39,158	\$ 345,988

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

	District Activity Fund	SEEK Capital Outlay Fund	Construction Fund	Total Non-Major Governmental Funds
<b>REVENUES:</b>				
From local sources -				
Taxes -				
Property	\$ -	\$ -	\$ -	\$ -
Other local revenues	221,207	-	-	221,207
Intergovernmental - State	-	220,745	-	220,745
Total revenues	<u>221,207</u>	<u>220,745</u>	<u>-</u>	<u>441,952</u>
<b>EXPENDITURES:</b>				
Current -				
Instruction	93,874	-	-	93,874
Debt service	-	-	142,710	142,710
Total expenditures	<u>93,874</u>	<u>-</u>	<u>142,710</u>	<u>236,584</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>127,333</u>	<u>220,745</u>	<u>(142,710)</u>	<u>205,368</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in	-	-	145,054	145,054
Operating transfers out	-	(220,745)	-	(220,745)
Total other financing sources (uses)	<u>-</u>	<u>(220,745)</u>	<u>145,054</u>	<u>(75,691)</u>
<b>NET CHANGE IN FUND BALANCE</b>	127,333	-	2,344	129,677
<b>FUND BALANCE JUNE 30, 2014</b>	<u>-</u>	<u>179,497</u>	<u>36,814</u>	<u>216,311</u>
<b>FUND BALANCE JUNE 30, 2015</b>	<u>\$ 127,333</u>	<u>\$ 179,497</u>	<u>\$ 39,158</u>	<u>\$ 345,988</u>

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

	Cash Balance June 30, 2014	Receipts	Disbursements	Cash Balance June 30, 2015	Accounts Receivable (Accounts Payable)	Deposits Held in Custody for Students June 30, 2015
Pendleton County High School	\$ 195,237	\$ 523,435	\$ 571,838	\$ 146,834	\$ (33,207)	\$ 113,627
Phillip Sharp Middle School	127,985	181,785	195,795	113,975	(30)	113,945
Northern Elementary	43,292	63,419	53,218	53,493	1,993	55,486
Southern Elementary	45,464	23,934	63,532	5,866	-	5,866
	<u>\$ 411,978</u>	<u>\$ 792,573</u>	<u>\$ 884,383</u>	<u>\$ 320,168</u>	<u>\$ (31,244)</u>	<u>\$ 288,924</u>

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

	Cash Balance June 30, 2014	Receipts	Disburse- ments	Cash Balance June 30, 2015	Accounts Payable	Custody for Students June 30, 2015
General Fund	\$ 6,202	\$ 501	\$ 6,673	\$ 30	\$ -	\$ 30
Mileage	2,922	-	2,922	-	-	-
Summer School Program	5,592	-	5,592	-	-	-
Parking Permits	4,448	-	4,448	-	-	-
FEA	460	-	18	442	-	442
Concession A/Student	-	3,078	2,908	170	100	70
Concession A/Staff	834	1,683	2,145	372	-	372
Staff-Coffee	-	325	325	-	-	-
Donations	500	-	500	-	-	-
Apple VPP	2	-	2	-	-	-
Faculty/Gift	69	195	140	124	-	124
PBIS/Student	716	2,019	1,073	1,662	-	1,662
PBIS/Staff	57	130	-	187	-	187
Y Club	340	10,245	10,546	39	-	39
No. KY Advisory Comm.	-	537	129	408	-	408
Student Fees	26,895	3,383	22,323	7,955	-	7,955
Athletic Department	2,924	4,885	5,282	2,527	-	2,527
Boys Basketball	313	9,984	10,297	-	-	-
Cheerleaders	-	6,825	6,825	-	-	-
Girls Basketball	200	7,987	8,187	-	-	-
Football	-	16,244	16,244	-	-	-
Volleyball	-	5,552	5,552	-	-	-
Athletic Trainer	-	1,132	1,132	-	-	-
Athletic Director	100	9,431	8,418	1,113	150	963
Baseball	200	5,440	5,640	-	-	-
Cross Country	1,335	2,302	3,504	133	-	133
Boys Golf	107	693	800	-	-	-
Girls Soccer	-	4,762	4,762	-	-	-
Softball	-	3,306	3,306	-	-	-
Tennis	704	186	462	428	-	428
Track	-	1,882	1,882	-	-	-
Bowling Team	-	3,521	3,432	89	-	89
Archery	-	6,759	6,669	90	-	90
Girls Golf	-	1,520	1,366	154	-	154
Athletic Programs	715	15,583	15,473	825	-	825
Athletic Banquets	105	8,166	8,013	258	-	258
Boys Soccer	-	6,853	6,853	-	-	-
Athletic Uniforms	11,019	16,750	21,512	6,257	-	6,257
Academic Team	1,048	1,010	836	1,222	-	1,222
Dance Team	564	-	564	-	-	-
Ski Club	-	1,278	1,278	-	-	-
Chess Club	3	-	-	3	-	3
CATS Club	691	535	717	509	-	509
DECA	412	1,672	1,535	549	-	549
FBLA	162	12,529	10,201	2,490	1,940	550
FCA	-	500	150	350	-	350
FFA	2,444	20,909	18,792	4,561	2,148	2,413
Doug Dawson Scholarship	1,000	1,000	1,000	1,000	-	1,000
AG Mechanics	344	-	344	-	-	-
FCCLA Club	53	17,510	16,778	785	140	645
Spanish Club	463	283	252	494	-	494
Literary Magazine Club	2,183	-	-	2,183	-	2,183
National Honor Society	1,925	1,634	2,041	1,518	140	1,378
French Club	-	154	154	-	-	-
Project Graduation	689	18,870	19,559	-	-	-
Jr. Council (Prom)	2,160	12,062	11,329	2,893	-	2,893
SADD	288	-	-	288	-	288
Senior Trip	981	39,287	39,203	1,065	-	1,065
Senior Council	11,442	21,304	25,086	7,660	675	6,985
Drama Club	692	564	794	462	-	462
Student Council	1,991	19,508	12,208	9,291	1,195	8,096

**PENDLETON COUNTY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
SCHOOL ACTIVITY FUNDS (CONCLUDED)  
PENDLETON COUNTY HIGH SCHOOL  
FOR THE YEAR ENDED JUNE 30, 2015**

	Cash Balance June 30, 2014	Receipts	Disburse- ments	Cash Balance June 30, 2015	Accounts Payable	Custody for Students June 30, 2015
TSA	-	899	623	276	150	126
STLP	251	85	-	336	-	336
AP Exams	907	3,568	2,520	1,955	-	1,955
Business	1	-	1	-	-	-
Concession B	3,819	22,683	23,627	2,875	-	2,875
Home Ec	4,098	502	3,590	1,010	-	1,010
Horticulture	3,994	450	4,144	300	-	300
Library	234	95	131	198	-	198
Math	705	180	392	493	-	493
School Store	2,742	236	1,431	1,547	-	1,547
Broadcasting	1,177	-	1,177	-	-	-
Technology Ed	1,747	-	1,747	-	-	-
Yearbook	15,926	15,430	8,972	22,384	15,300	7,084
Art I	272	50	272	50	-	50
Band	2,032	1,540	1,986	1,586	-	1,586
Chorus	-	1,350	817	533	-	533
Baseball Boosters	5,112	12,232	11,936	5,408	1,500	3,908
Boys Basketball Boosters	4,540	17,653	15,541	6,652	470	6,182
Girls Basketball Boosters	1,817	10,816	8,758	3,875	350	3,525
Cheerleaders Boosters	5,580	22,651	21,919	6,312	2,019	4,293
Football Boosters	4,611	19,582	14,723	9,470	6,630	2,840
CC/Track Boosters	1,079	3,588	4,111	556	-	556
Boys Golf Boosters	1,417	1,385	1,527	1,275	-	1,275
Girls Golf Boosters	716	3,077	3,049	744	-	744
Boys Soccer Boosters	4,093	6,323	7,454	2,962	-	2,962
Girls Soccer Boosters	4,464	7,678	10,047	2,095	300	1,795
Softball Boosters	1,768	4,491	4,263	1,996	-	1,996
Tennis Boosters	7	-	-	7	-	7
Volleyball Boosters	3,531	6,172	5,448	4,255	-	4,255
Archery Boosters	-	3,851	2,024	1,827	-	1,827
Bowling Team Boosters	-	329	275	54	-	54
NJROTC Activity	14,544	17,778	28,415	3,907	-	3,907
NJROTC Unit Support	1,675	-	1,675	-	-	-
Guidance	176	478	654	-	-	-
Health, P.E.	2,679	-	2,218	461	-	461
Language Arts	5	315	315	5	-	5
Marketing	368	345	497	216	-	216
Science	1,056	-	1,056	-	-	-
Social Studies	1	-	-	1	-	1
Special Ed	909	430	767	572	-	572
Charitable Gaming	50	4,725	4,720	55	-	55
Social Studies Supplies	605	-	605	-	-	-
Technology Supplies	235	-	235	-	-	-
	<u>\$ 195,237</u>	<u>\$523,435</u>	<u>\$571,838</u>	<u>\$ 146,834</u>	<u>\$ 33,207</u>	<u>\$ 113,627</u>

PENDLETON 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	Program or Award Amount	Expenditures
<u>U.S. Department of Education</u>				
Passed through State Department of Education:				
Title I Grants to Local Educational Agencies	84.010	3100002-14	502,408	\$ 489,354 *
Special Education Cluster (IDEA):				
Special Education Grants to States - IDEA, Part B	84.027	3810002-13	451,866	212,255 *
Special Education Grants to States - IDEA, Part B	84.027	3810002-14	462,124	349,857 *
Special Education Grants to States - IDEA, Part B, Preschool	84.173	3800002-13	42,243	11,958 *
Special Education Grants to States - IDEA, Part B, Preschool	84.173	3800002-14	42,243	42,243 *
				<u>616,313 *</u>
Rural Education	84.358	3140002-13	44,779	38,610
Rural Education	84.358	3140002-14	51,527	26,527
				<u>65,137</u>
Improving Teacher Quality State Grants	84.367	3230002-14	127,567	123,569
Vocational Education Basic Grants to States	84.048	3710002-14	886	886
Vocational Education Basic Grants to States	84.048	4621332-14	20,196	20,196
				<u>21,082</u>
Race to the Top	84.413	3960002-12	22,993	10,857
Passed through NKCES:				
Fund for the Improvement of Education	84.215E	581A	54,519	54,519
Fund for the Improvement of Education	84.215E	582A	50,333	50,067
				<u>104,586</u>
Passed through State Workforce Cabinet:				
Adult Education - Recruitment, Retention and Results	84.002	365A	9,794	9,794
Adult Education - Basic	84.002	373A	25,156	25,156
				<u>34,950</u>
Total U.S. Department of Education				<u>1,465,848</u>
<u>U.S. Department of Labor</u>				
Passed through NKADD:				
WIA - Adult Program	17.258	381AA	32,325	32,325
WIA - Dislocated Workers	17.278	381A	72,145	72,145
Total WIA Cluster				<u>104,470</u>
Total U.S. Department of Labor				<u>104,470</u>

**PENDLETON COUNTY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONCLUDED)  
FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Expenditures
<u>U.S. Department of Agriculture</u>				
Direct Program:				
RUS - Distance Learning and Telemedicine Grant	10.855	RUS2	132,522	127,268
Passed through State Department of Education:				
Cash Assistance:				
Child Nutrition Cluster:				
Summer Food Service Program for Children	10.559	7690024-14		236
Summer Food Service Program for Children	10.559	7740023-14		2,289
				<u>2,525</u>
National School Lunch Program	10.555	7750002-14		138,602 *
National School Lunch Program	10.555	7750002-15		514,802 *
School Breakfast Program	10.553	7760005-14		46,451 *
School Breakfast Program	10.553	7760005-15		174,250 *
				<u>874,105 *</u>
Non-cash Assistance:				
Food Donation	10.555	057502-02		82,888 *
Total child nutrition cluster				<u>959,518 *</u>
Total U.S. Department of Agriculture				<u>1,086,786</u>
<u>U.S. Department of Defense</u>				
Direct:				
Navy ROTC	12.000	504A	38,482	38,482
Total U.S. Department of Defense				<u>38,482</u>
Total expenditures of Federal awards				<u>\$ 2,695,586</u>

\* Denotes major program.

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**NOTE A - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Pendleton County School District under the programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Government, and Non-Profit Organizations. Because the schedule presents only a selected portion of operations of the Pendleton County School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

**NOTE B - 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 and Local Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

**NOTE C - FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2015, commodities on hand are included in the total inventory of \$28,039.



**Kelley Galloway**  
**Smith Goolsby, PSC**

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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**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Auditor Responsibilities* and *State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Pendleton County School District (the "District") as of and for the year ended June 30, 2015, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 14, 2015.

**Internal Control Over Financial Reporting**

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

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

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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District in a separate letter dated October 14, 2015.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Kathleen Galloway Smith Bookley, P.C.*

October 14, 2015  
Cold Spring, Kentucky



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

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

**Report on Compliance for Each Major Federal Program**

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

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Pendleton County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Auditor Responsibilities* and *State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and 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 Pendleton County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

## Opinion on Each Major Federal Program

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

## Report on Internal Control Over Compliance

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

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

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

## Purpose of this Report

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

*Kelley Anthony Smith, CPA, PSC*

October 14, 2015  
Cold Spring, Kentucky

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

**(A) SUMMARY OF AUDIT RESULTS**

Type of Auditor's report issued: Unmodified

Internal Control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ yes   x   no

Significant deficiency(ies) identified? \_\_\_\_\_ yes   x   none reported

Noncompliance material to the financial statements noted? \_\_\_\_\_ yes   x   no

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ yes   x   no

Significant deficiency(ies) identified? \_\_\_\_\_ yes   x   none reported

Type of audit auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? \_\_\_\_\_ yes   x   no

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

- Nutrition Cluster (10.553, 10.555, & 10.559)
- Title I (84.010)
- Special Education Cluster (IDEA) (84.027 & 84.173)

Dollar threshold to distinguish between Type A and Type B Programs: \$   300,000  

The District qualified as a low risk auditee   x   yes \_\_\_\_\_ no

**(B) FINANCIAL STATEMENT FINDINGS**

None noted in the current year.

**(C) FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no findings in the current year.

**PENDLETON COUNTY SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

There were no findings in the prior year.

**PENDLETON COUNTY SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2015**

No corrective action plan needed in the current year.



**K**elley **G**alloway  
**S**mith **G**oolsby, PSC

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Falmouth, Kentucky

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

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and suggestions regarding these matters. This letter does not affect our report dated October 14, 2015, on the financial statements of the District.

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

*Kelley Galloway Smith Goolsby, PSC*

October 14, 2015  
Cold Spring, Kentucky

**PENDLETON COUNTY SCHOOL DISTRICT**

**MANAGEMENT LETTER POINTS**

**FOR THE YEAR ENDED JUNE 30, 2015**

**2015-1 Travel Expenses**

Statement of Condition: We noted that prior approval via purchase order or other method is not generally completed for travel expenses.

Criteria for Condition: Purchase orders should be required for all travel expenses or other method to indicate prior approval.

Cause of Condition: It is not currently District procedure to obtain purchase orders for travel expenses.

Effect of the Condition: Travel expenses are not documented as being approved before they are incurred.

Recommendation of the Condition: We recommend that procedures be implemented to ensure purchase orders are completed for travel expenses or other method to indicate prior approval.

Management Response: Prior approval of travel expenses will be accomplished through AESOP. When an employee enters an approval-needed absence reasons into AESOP, an email will be sent to their immediate supervisor. Once the immediate supervisor has approved travel, an email will be sent to a Central Office director for a second approval. The travel reasons requiring this type approval include the following: Meeting in district, meeting out of district, PD in district, PD out of district and School Activity/Field Trip.

**2015-2 Title I Expense Approvals**

Statement of Condition: During our testing we noted 3 Title I disbursements without properly approved purchase orders.

Criteria for Condition: Title I expenses should be approved by a designated employee prior to purchase.

Cause of Condition: Oversight.

Effect of the Condition: Expenses were not approved prior to purchase.

Recommendation of the Condition: We recommend that a designated employee approve expenses before they are incurred.

Management Response: The Title I Coordinator or Supervisor will approve all Title I expenditures prior to purchase.

### **2015-3 Incorrect Mileage Rates**

Statement of Condition: During our testing of travel reimbursements, we noted instances where the incorrect mileage rate was used to calculate the mileage reimbursement.

Criteria for Condition: The District utilizes mileage rates as periodically updated by the State.

Cause of Condition: The forms utilized for mileage reimbursements were not updated for the exceptions noted.

Effect of the Condition: Mileage reimbursements paid incorrectly.

Recommendation of the Condition: We recommend that personnel be reminded to use only updated forms for mileage reimbursements. We further recommend that all mileage reimbursement forms be reviewed for accuracy prior to payment.

Management Response: Beginning with the 2015-16 school year, the Finance Officer posts the new quarterly travel voucher forms on the District's website as well as emails the form to each school's principal and bookkeeper. The posted forms adjust the mileage reimbursement rate, when required, and locks fields that are calculated so no adjustments can be made to these fields.

#### Status of Prior Year Management Points

All prior year conditions have been implemented and corrected. Dr. Anthony Strong, Superintendent, is the person responsible for initiation of the corrective action plan for the above conditions which will be implemented immediately. The corrective action plan is the management response for each condition.