

PIKE COUNTY BOARD OF EDUCATION

FINANCIAL STATEMENTS  
SUPPLEMENTARY INFORMATION  
And  
INDEPENDENT AUDITOR'S REPORTS

Year Ended June 30, 2015

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**Unmodified Opinions on Basic Financial Statements Accompanied by  
Required Supplementary Information and Other  
Information – State or Local Governmental Entity**

INDEPENDENT AUDITOR'S REPORT

State Committee For School District Audits  
Members of the Board of Education  
Pike County Board of Education  
Pikeville, Kentucky

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Pike County Board of Education as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Board'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; the provisions of Office of Management and Budget Circular A-133, Audits of States and Local Governments, and Non-Profit Organizations, and the audit requirements prescribed by the Kentucky State Committee for School District Audits. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Board as of June 30, 2015 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As described in Note S 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 on pages 8 through 12, budgetary comparison information on pages 51 and 52 and the Schedules of Proportionate Share of the Net Pension Liability and Schedule of Contributions on pages 77 through 78 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 Board's basic financial statements. The combining statements for nonmajor governmental funds and fiduciary funds, the statement of receipts, disbursements, and due to student groups, and the schedule of expenditures of federal awards, as required by 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 statements for nonmajor funds and fiduciary funds, the statement of receipts, disbursements, and due to student groups, and the schedule of expenditures of federal awards is the responsibility of management and was derived from and relates 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 statements for nonmajor funds and fiduciary funds, the statement of receipts, disbursements, and due to student groups, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2015 on our consideration of the Board'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 Board's internal control over financial reporting and compliance.

*Denise M. Keene*

Denise M. Keene, CPA  
Georgetown, Kentucky  
August 31, 2015  
Except for Note X, as to which the date is January 18, 2016

**PIKE COUNTY SCHOOL SYSTEM – PIKEVILLE, KENTUCKY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2015**

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

**FINANCIAL HIGHLIGHTS**

- The beginning cash and investment balance from all funds for the District was \$2,738,908.62.
- The General Fund (Fund 1) had \$80,310,153.08 in revenue, which consisted of a beginning balance of \$5,282,999.65, the state program (SEEK) funding, property, un-mined minerals, utilities, and motor vehicle taxes. There were \$75,143,002.67 in General Fund expenditures, consisting primarily of salary and benefits, as well as expenditures for utilities, insurances, new vehicles/buses, computers, instructional supplies, maintenance and transportation supplies, general supplies, contract and professional services, and other items as determined by necessity. Both revenues and expenses include state on-behalf payments for insurances, retirement and technology of \$13,917,650.49. In FY14 the year-end Unreserved Fund 1 Balance was \$5,061,801.77. For FY15, the year-end Unreserved Fund 1 Balance is \$4,599,126.42, a decrease of \$462,675.35. The decrease can be attributed to the fact that the Construction Fund (360) was deficit by an amount of \$908,259.18 and the General Fund had to make up the difference by temporarily transferring funds to cover the shortage until bonds were sold and the money returned to General Fund.
- The Special Revenue Fund (Fund 2) was used to receipt and expend local, state and federal grant awards.
- The new District Activity Fund (Fund 21) was used to receipt and expend non-student generated funds from the schools. Schools send up non-student generated funds on a monthly basis that are expended on items such as athletics, instruction, building & grounds, etc. Any unused funds are carried over to the next year and reallocated to the schools.
- The Capital Outlay Fund (Fund 310) and the Building Fund (Fund 320) were first used to meet obligations on prior bond issues. Funds are transferred from these funds to the district Debt Service Fund (Fund 400). 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. On bond issues that existed as of July 1, 2014, the district's total principal debt decreased by \$5,945,000 during the current fiscal year, which includes payments by both the district and SFCC. As allowed by law, funds available beyond bond obligations were used for capital improvement projects such as roofs and HVAC systems and for property insurance, KISTA payments, bus purchases and other on-going construction projects.
- The School Food Service Fund (Fund 51) was used to receipt and expend funds associated with the school feeding programs. Both revenues and expenditures include state on-behalf payments of \$1,500,335.45. On June 30, 2015, the Food Service program had Restricted Assets of \$919,755.90, an increase of \$84,130.92 over the prior year Restricted Assets. The School Food Service Program borrowed \$184,048.22 in January, 2015 for the purpose of purchasing equipment. Note: For the 14-15 school year, the Board continued the Community Eligibility Option (CEO) program. This program requires free breakfast and lunch for all students, regardless of income.

- The district issued one bond series in FY2015. The bond was issued in June, 2015 for the purpose of Southside Elementary Renovation – Stage One. The total bond issue amount was \$3,650,000.

## OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

The government-wide financial statements can be found on pages 13 and 14 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, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our vending and food service operations. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 15 thru 22 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 thru 49 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 this District, assets exceeded liabilities by \$44,356,678 as of June 30, 2015.

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

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

**Net Assets for the period ending June 30, 2015**

The current year's financial statements as a result of implementing GASB 34 reflect the following.

	June 30, 2014	June 30, 2015
Current Assets	\$ 14,860,183	\$ 15,239,999
Noncurrent Assets	<u>149,077,831</u>	<u>157,670,415</u>
<b>Total Assets</b>	<b>\$ 163,938,014</b>	<b>\$172,910,414</b>
Deferred Outflows of Resources	\$ 0	\$ 3,243,103
Current Liabilities	\$ 5,715,614	\$ 13,000,992
Noncurrent Liabilities	<u>96,984,032</u>	<u>116,536,847</u>
<b>Total Liabilities</b>	<b>\$102,699,646</b>	<b>\$129,537,839</b>
Deferred Inflows of Resources	\$ 0	\$ 2,259,000
<b>Net Position</b>		
Investment in capital assets (net of debt)	\$ 52,723,762	\$ 60,332,415
Restricted	7,342,914	1,799,479
Unreserved Fund Balance	<u>1,171,692</u>	<u>(17,775,216)</u>
<b>Total Net Position</b>	<b>\$ 61,238,368</b>	<b>\$ 44,356,678</b>

### Comments on Budget Comparisons

- The District's total revenues for the fiscal year ended June 30, 2015, including beginning balances and on-behalf payments, were \$108,433,414.94, exclusive of construction fund and debt service.
- General fund budget revenues compared to actual revenue varied slightly from line item to line item with the ending actual balance, excluding on-behalf payments, being \$3,557,898.94 more than final budget, or approximately five percentage points. The majority of this overage was due to the local tax collection because it far exceeded the prior year collection in both dollar amount and percentage collected. The collection of unbudgeted prior year losses on the self-insurance program also impacted the revenues.
- General fund budget expenditures compared to actual expenditures, exclusive of budgeted contingency and on-behalf, varied from line item to line item with the ending actual balance being \$89,796.12 more than budget, or approximately 1/10 of one percentage point. The reason for the overage was due to the district having to transfer money to Construction (Fund 360) because the fund was deficit on June 30, 2015.

The following table presents a summary of revenue and expense, for all funds except Construction and Debt Service, for the fiscal year ended June 30, 2015.

#### Revenues

Beginning Balance	\$ 6,118,624.63
Local revenue sources	25,576,757.76
State revenue sources	61,365,703.73
Federal Revenue	14,069,370.78
Other Sources	<u>1,302,958.04</u>
<b>Total Revenues</b>	<b>\$ 108,433,414.94</b>

#### Expenses

Instruction	\$49,364,999.09
Student Support Services	3,817,385.01
Instructional Support	4,926,864.55
District Administration	2,811,683.55
School Administration	4,327,618.65
Business Support	1,505,541.46
Plant Operations	11,547,002.03
Student Transportation	6,370,927.07
Food Service Operations	7,370,635.18
Community Support	1,841,980.81
Construction/Land	51,366.10
Debt Service	161,633.56
Other/Fund Transfers	<u>8,309,935.38</u>
<b>Total Expenses</b>	<b>\$ 102,407,572.44</b>
<b>Revenue in Excess of Expense</b>	<b>\$ 6,025,842.50</b>

## **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 across major funds. The district adopted a budget with \$1,748,365 in contingency, which was 2.4% of total budgeted revenues across the major funds.

## **FY15 CONCERNS**

In FY16, the District faces the continual underfunding of the state SEEK program and full-day Kindergarten, the continual loss of students and fluctuating fuel and energy costs. Other major concerns for the 2015-2016 budget include CERS Spiking issues, the KSBIT assessment on prior Worker's Comp coverage, an aging bus fleet, aging facilities and overcrowding at a major school. In addition, the unpredictability of local tax revenue collection makes budgeting accurately nearly impossible.

The district will continue its participation in the Community Eligibility Option. This option allows free breakfast and lunch for all students. With the increase in food costs, the School Food Service program must be diligent to remain financially viable.

Questions regarding this report should be directed to the **Superintendent** at **(606) 433-9200** or to **Nancy S. (Ratliff) Grubb**, Director of Finance/Treasurer at **(606) 433-9230** or by mail at 316 South Mayo Trail; Pikeville, KY 41501.

PIKE COUNTY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
DISTRICT WIDE  
As of June 30, 2015

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and equivalents - Note C	\$11,261,291	\$858,438	\$12,119,729
Accounts receivable	2,905,860	87,417	2,993,277
Inventory		109,295	109,295
Prepaid expenses	17,698		17,698
Capital assets			
Land and construction in progress	65,706,700		65,706,700
Other capital assets, net of depreciation	<u>91,571,998</u>	<u>391,717</u>	<u>91,963,715</u>
Total capital assets	<u>157,278,698</u>	<u>391,717</u>	<u>157,670,415</u>
<b>TOTAL ASSETS</b>	<b>\$171,463,547</b>	<b>\$1,446,867</b>	<b>\$172,910,414</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows from pension	\$2,903,928	\$339,175	\$3,243,103
<b>LIABILITIES</b>			
Accounts payable	\$2,098,997	\$3,822	\$2,102,819
Accrued salaries and benefits payable	3,228,722		3,228,722
Unearned revenue	574,230		574,230
Interest payable	546,280		546,280
Long-term Liabilities			
Due within 1 year	6,456,637	92,304	6,548,941
Due in more than 1 year	96,263,579	39,268	96,302,847
Pension Liability	<u>17,485,960</u>	<u>2,748,040</u>	<u>20,234,000</u>
<b>TOTAL LIABILITIES</b>	<b>\$126,654,405</b>	<b>\$2,883,434</b>	<b>\$129,537,839</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows from pension	1,952,198	306,802	2,259,000
<b>NET POSITION</b>			
Net investment in capital assets	\$59,940,698	\$391,717	\$60,332,415
Restricted			
Prepays	17,698		17,698
Site-Based Carryforward	191,535		191,535
Sick Leave	387,114		387,114
Workers Compensation	1,449,835		1,449,835
Food Service		(1,795,911)	(1,795,911)
Other	117,304		117,304
Debt Service	1,431,904		1,431,904
Unrestricted	<u>(17,775,216)</u>		<u>(17,775,216)</u>
<b>TOTAL NET POSITION</b>	<b>\$45,760,872</b>	<b>(\$1,404,194)</b>	<b>\$44,356,678</b>

See accompanying notes

PIKE COUNTY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
DISTRICT WIDE

For the year ended June 30, 2015

FUNCTIONS/PROGRAMS

**Governmental Activities**

	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Net (Expense) Revenue and Changes in Net Position Business-type Activities	Total
Instruction	\$45,522,738	\$8,500	\$8,833,752		(\$36,680,486)	\$	(\$36,680,486)
Support services:							
Student	3,823,626		224,632		(3,598,994)		(3,598,994)
Instruction staff	4,950,439		1,740,905		(3,209,534)		(3,209,534)
District administrative	2,987,253				(2,987,253)		(2,987,253)
School administrative	4,338,765		400		(4,338,365)		(4,338,365)
Business	1,596,957		187,368		(1,409,589)		(1,409,589)
Plant operation and maintenance	16,466,818	6,455	22,149		(16,438,214)		(16,438,214)
Student transportation	7,027,981		71,112		(6,956,869)		(6,956,869)
Community service activities	1,842,347		1,654,439		(187,908)		(187,908)
Interest on long-term debt	3,881,338		<u>0</u>	<u>1,239,259</u>	<u>(2,642,079)</u>		<u>(2,642,079)</u>
Total governmental activities	92,438,262	<u>14,955</u>	12,734,757	1,239,259	(78,449,291)		(78,449,291)

**Business-type Activities**

Food service	7,479,289	571,653	6,700,506			(207,130)	(207,130)
Total business-type activities	7,479,289	571,653	6,700,506			(207,130)	(207,130)
Total school district	\$99,917,551	\$586,608	\$19,435,263	\$1,239,259	(\$78,449,291)	(\$207,130)	(\$78,656,421)

**General Revenues**

Property taxes	\$15,051,692						\$15,051,692
Motor Vehicle taxes	2,244,235						2,244,235
Unmined minerals tax	2,372,564						2,372,564
Utility taxes	3,853,333						3,853,333
State aid-formula grants	59,089,981						59,089,981
Investment earnings	122,442					4,240	126,682
Interest expense	0					(2,647)	(2,647)
Loss on disposal of assets	(32,129)					(851)	(32,980)
Miscellaneous	455,884						455,884
Total general & special	83,158,002					742	83,158,744
Change in net positions						(206,388)	4,502,323
Net position - beginning						1,330,217	61,238,368
Restatement of beginning						(2,528,023)	(21,384,013)
Net position - ending						(\$1,404,194)	\$44,356,678

See accompanying notes

PIKE COUNTY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
As of June 30, 2015

	General Fund	Special Revenue	Construction Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$9,478,641	(\$791,883)	\$1,142,629	\$1,431,904	\$0	\$11,261,291
Other receivables	1,059,030	1,846,830				2,905,860
Prepaid expenses	<u>17,698</u>					<u>17,698</u>
<b>TOTAL ASSETS</b>	<b>\$10,555,369</b>	<b>\$1,054,947</b>	<b>\$1,142,629</b>	<b>\$1,431,904</b>	<b>\$0</b>	<b>\$14,184,849</b>
<b>LIABILITIES</b>						
Accounts payable	\$718,458	\$237,910	\$1,142,629	\$0	\$0	\$2,098,997
Unearned revenue		574,230				574,230
Accrued salaries and benefits payable	<u>3,103,219</u>	<u>125,503</u>				<u>3,228,722</u>
<b>TOTAL LIABILITIES</b>	<b>3,821,677</b>	<b>937,643</b>	<b>1,142,629</b>			<b>5,901,949</b>
<b>Fund Balances</b>						
Nonspendable						
Prepays	17,698					17,698
Committed						
Site-Based Carryforward	191,535					191,535
Sick Leave	387,114					387,114
Workers Compensation	1,449,835					1,449,835
Assigned						
Purchase Obligations	88,383					88,383
Restricted						
Other		117,304				117,304
Debt Service				1,431,904		1,431,904
Unassigned	<u>4,599,127</u>					<u>4,599,127</u>
<b>TOTAL FUND BALANCES</b>	<b>6,733,692</b>	<b>117,304</b>	<b>0</b>	<b>1,431,904</b>	<b>0</b>	<b>8,282,900</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE</b>	<b>\$10,555,369</b>	<b>\$1,054,947</b>	<b>\$1,142,629</b>	<b>\$1,431,904</b>	<b>\$0</b>	<b>\$14,184,849</b>

See accompanying notes

PIKE COUNTY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO  
 THE STATEMENT OF NET POSITION  
 As of June 30, 2015

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

<b>Total Fund Balance - Governmental Funds</b>	<b>\$8,282,900</b>
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position	157,278,698
Deferred outflows of resources are not reported in the fund financial statement because they are not current financial resources, but they are reported in the statement of net position	2,903,928
Deferred inflows of resources are not reported in the fund financial statement because they are not due and payable, but they are presented in the statement of net position	(1,952,198)
Certain liabilities are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position	
Bonds Payable	(97,338,000)
Capital Lease Payable	(258,989)
Judgments Payable	(430,644)
Accrued Interest on Bonds	(546,280)
Pension Liability	(17,485,960)
Accumulated Sick Leave	<u>(4,692,583)</u>
<b>Total Net Position - Governmental Activities</b>	<b>\$45,760,872</b>

See accompanying notes

PIKE 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	Construction Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
From local sources						
Property taxes	\$12,112,158	\$	\$0	\$	\$2,939,534	\$15,051,692
Motor vehicle taxes	2,244,235					2,244,235
Unmined Minerals tax	2,372,564					2,372,564
Utility taxes	3,853,333					3,853,333
Earnings on investments	61,305		18,223	42,914		122,442
Other local revenues	470,839	946,897				1,417,736
Intergovernmental - State	52,706,367	3,042,137		3,736,234	4,063,043	63,547,781
Intergovernmental - Federal	<u>177,298</u>	<u>8,745,723</u>		<u>471,101</u>		<u>9,394,122</u>
Total revenues	73,998,099	12,734,757	18,223	4,250,249	7,002,577	98,003,905
<b>Expenditures</b>						
Instruction	40,473,361	8,891,638				49,364,999
Support services						
Student	3,592,753	224,632				3,817,385
Instruction staff	3,185,959	1,740,905				4,926,864
District administration	2,811,683					2,811,683
School administration	4,327,219	400				4,327,619
Business	1,318,173	187,368				1,505,541
Plant operation and maintenance	11,515,177	22,149				11,537,326
Student transportation	6,309,490	71,112				6,380,602
Community service activities	187,542	1,654,439				1,841,981
Facilities	51,367		10,569,258			10,620,625
Debt service	<u>161,634</u>			<u>9,265,184</u>		<u>9,426,818</u>
Total expenditures	73,934,358	12,792,643	10,569,258	9,265,184	0	106,561,443
Excess(deficit)of revenues over expenditures	63,741	(57,886)	(10,551,035)	(5,014,935)	7,002,577	(8,557,538)
<b>Other Financing Sources (Uses)</b>						
Sale of land	30,000					30,000
Bond Proceeds				3,650,000		3,650,000
Operating transfers in	999,054	273,904	5,174,227	5,400,650		11,847,835
Operating transfers out	<u>(1,208,644)</u>	<u>(98,714)</u>	<u>0</u>	<u>(3,537,900)</u>	<u>(7,002,577)</u>	<u>(11,847,835)</u>
Total other financing sources (uses)	(179,590)	175,190	5,174,227	5,512,750	(7,002,577)	3,680,000
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(115,849)	117,304	(5,376,808)	497,815	0	(4,877,538)
Fund balance, July 1, 2014	6,849,541	0	5,376,808	0	0	12,226,349
Prior Period Adjustment	<u>0</u>	<u>0</u>	<u>0</u>	<u>934,089</u>	<u>0</u>	<u>934,089</u>
Fund balance, June 30, 2015	\$6,733,692	\$117,304	\$0	\$1,431,904	\$0	\$8,282,900

See accompanying notes

PIKE COUNTY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO  
 THE DISTRICT-WIDE STATEMENT OF ACTIVITIES  
 For The Year Ended June 30, 2015

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

**Total net change in fund balances - governmental funds** (\$4,877,538)

Capital outlays are reported as expenditures in this fund financial  
 statement because they use current financial resources, but they  
 are presented as assets in the statement of activities and  
 depreciated over their estimated economic lives. The difference  
 is the amount by which capital outlays exceeds depreciation  
 expense for the year.

	Depreciation Expense	(5,573,551)	
	Capital Outlays	<u>14,152,774</u>	8,579,223
	Loss on disposal of assets		(32,129)

Bond proceeds provide current financial resources to  
 governmental funds, but issuing debt increases long-term  
 liabilities in the statement of net position. Repayment of bond  
 principal is an expenditure in the governmental funds, but the  
 repayment reduces long-term liabilities in the statement of net  
 position.

	Bond Principal Payments	5,945,000	
	Capital Lease Payments	146,760	
	Bond Proceeds	(3,650,000)	
	Deferred Outflows from Pension	5,549	
	Deferred Inflows from Pension	(1,952,198)	

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

	Change in Pension Liability	1,487,818	
	Change in Accrued Interest	(546,280)	
	KSBIT liability	143,549	
	Change in Sick Leave	<u>(541,043)</u>	

**Total Change in Net Position - Governmental Activities** \$4,708,711

See accompanying notes

PIKE COUNTY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
As of June 30, 2015

	Food Service <u>Fund</u>
<b>ASSETS</b>	
Cash and Equivalents	\$858,438
Accounts Receivable	87,417
Inventory	109,295
Capital Assets, net of depreciation	<u>391,717</u>
<b>TOTAL ASSETS</b>	<b>\$1,446,867</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows from pension	\$339,175
<b>LIABILITIES</b>	
Accounts Payable	\$3,822
Notes Payable - Current	92,304
Notes Payable - Long Term	39,268
Pension Liability - Long-Term	<u>2,748,040</u>
<b>TOTAL LIABILITIES</b>	<b>\$2,883,434</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows from pension	\$306,802
<b>NET POSITION</b>	
Net Investment in Capital Assets	391,717
Restricted Net Position	<u>(1,795,911)</u>
<b>TOTAL NET POSITION</b>	<b>(\$1,404,194)</b>

See accompanying notes

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

	Food Service Fund
<b>OPERATING REVENUES</b>	
Lunchroom sales	\$569,245
Other revenues	<u>2,408</u>
Total Operating Revenues	571,653
<b>OPERATING EXPENSES</b>	
Salaries and wages	4,297,603
Contract services	28,121
Materials and supplies	3,081,669
Depreciation	<u>71,896</u>
Total Operating Expenses	7,479,289
Operating income (loss)	(6,907,636)
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Federal grants	4,784,849
Commodities received	361,501
State grants	53,821
State on-behalf payments	1,500,335
Interest income	4,240
Interest expense	(2,647)
Loss on disposal of assets	<u>(851)</u>
Non-operating revenues (expenses)	6,701,248
Net income (loss) before Capital Contributions	(206,388)
Increase (decrease) in Net Position	(206,388)
Net Position, July 1, 2014	1,330,217
Restatement of beginning net position	<u>(2,528,023)</u>
Net Position, June 30, 2015	(\$1,404,194)

See accompanying notes

PIKE COUNTY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For The Year Ended June 30, 2015

	Food Service <u>Fund</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$575,595
Cash paid to employees, including benefits	(2,609,624)
Cash paid to suppliers	<u>(2,677,497)</u>
Net cash provided by operating activities	(4,711,526)
<b>CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital Assets Purchased	(148,239)
Notes Payable Proceeds	184,048
Principal Paid on Notes Payable	(52,477)
Interest Paid	<u>(2,647)</u>
Net cash provided from capital and related financing activities	(19,315)
<b>CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Cash received from government funding	4,879,337
Interest Income	<u>4,240</u>
Net cash provided from noncapital and related financing activities	4,883,577
Net increase (decrease) in cash	152,736
Cash and equivalents, July 1, 2014	<u>705,702</u>
Cash and equivalents, June 30, 2015	\$858,438
 Reconciliation of Operating income (loss) to Net Cash Provided by Operating Activities	
Operating income (loss)	(\$6,907,636)
Adjustments to reconcile net income to cash provided by operating activities	
Depreciation	71,896
On-behalf payments	1,500,335
Commodities used	361,501
(Increase) Decrease in accounts receivable	3,943
(Increase) Decrease in inventory	69,073
Increase (Decrease) in accounts payable	1,718
(Increase) Decrease in deferred outflows	(306,802)
Increase (Decrease) in deferred inflows	(34,107)
Increase (Decrease) in pension liability	<u>528,553</u>
Net cash provided by operating activities and increase in cash and equivalents	(\$4,711,526)
<b>Schedule of Non-Cash Financing Activities</b>	
Donated commodities	\$361,501
On Behalf payments	\$1,500,335
See accompanying notes	

PIKE COUNTY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
As of June 30, 2015

	Agency Fund
ASSETS	
Cash and equivalents	\$1,203,230
Accounts receivable	<u>20,212</u>
TOTAL ASSETS	\$1,223,442
LIABILITIES	
Accounts payable	\$47,065
Due to student groups	<u>1,176,377</u>
TOTAL LIABILITIES	\$1,223,442

See accompanying notes

PIKE COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2015

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

REPORTING ENTITY

The Pike 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 the Pike County School District (District). The Board receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the Board 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 purposes, includes all of the funds and account groups relevant to the operation of the Pike County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the Board 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:

Pike County School District Finance Corporation (the Corporation) – the Pike County Board of Education has established the Pike County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Pike County Board of Education also comprise the Corporation's Board of Directors.

Basis of Presentation

District-Wide Financial Statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Board that are governmental and those that are considered business-type activities.

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

PIKE COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2015

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

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

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in total net 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 primary operating fund of the District. It accounts for and reports all financial resources not accounted for and reported in another fund. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Fund accounts for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. It 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.

PIKE COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2015

- (C) Capital Project Funds are used to account for and report financial resource that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.
1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the district's facility plan.
  2. The Facility Support Program of Kentucky (FSPK) Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan.
  3. The Construction Fund includes Capital Projects Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction and/or renovations.

II. Debt Service Fund

The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds are used to report resources if legally mandated. Financial resources that are being accumulated for principal and interest maturing in future years are reported in debt service funds.

III. Proprietary Funds (Enterprise Fund)

1. The School 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). This is a major fund for the District.

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

1. 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 Uniform Program of Accounting for School Activity Funds.
2. The Private Purpose Trust Funds are used to report trust arrangements under which principal and income benefit individuals, private organizations or other governments. The District does not currently have any Private Purpose Trust Funds.

PIKE COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2015

V. Permanent Funds

Permanent Funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs – that is, for the benefit of the government or its citizenry.

Basis of Accounting

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

Revenues – Exchanges 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 used is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

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

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

Expenses/Expenditures – 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 cost, such as depreciation, are not recognized in governmental funds.

PIKE COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2015

Property Taxes

Property Tax Revenues – 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.

The property tax rates assessed for the year ended June 30, 2015, to finance operations were \$.662 per \$100 valuation for real property, \$.632 per \$100 valuation for business personal property and \$.553 per \$100 valuation for motor vehicles.

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

Fund Balance Classification Policies and Procedures

The Board intends that accounting practices follow state and federal laws and regulations and generally accepted accounting policies.

Nonspendable Fund Balance

Amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact will be classified as Nonspendable Fund Balance.

Restricted Fund Balance

Fund Balance will be reported as restricted when constraints placed on the use of resources are either; (a) externally imposed by creditors, grantors, contributors, or laws or regulations or other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

The Board will use restricted amounts before unrestricted amounts when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

Committed Fund Balance

Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Education will be reported as committed fund balance.

Assigned Fund Balance

Amounts that have been assigned for a specific purpose by formal resolution of the Board of Education will be reported as assigned fund balance for a specific purpose.

Unassigned Fund Balance

Unassigned Fund Balance is the residual classification for the general fund.

When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classification could be used, the funds will first be spent from committed, then assigned, and then finally unassigned.

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.

PIKE COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2015

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. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
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	12 years
Furniture and fixtures	20 years
Rolling stock	15 years
Other	10 years

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.

PIKE COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2015

Budgetary Process

**Budgetary Basis of Accounting:** The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

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

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

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. 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 treasurer at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

Cash and Cash Equivalents

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

Inventories

On district-wide financial statements inventories are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

The food service fund uses the specific identification method and the general fund uses the first-in, first-out method.

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2015 are recorded as prepaid items using the consumption method. Prepaid assets are only recorded if material to the financial statements.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position 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.

PIKE COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2015

Accrued Liabilities and Long-Term Obligations

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

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

Net Position

Net position represent 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 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 District, those revenues are primarily charges for meals provided by the various schools and collections for services such as child care.

Contributions of Capital

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

Subsequent Events

Subsequent events were considered through August 31, 2015, which represents the date of my report.

PIKE COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2015

Interfund Activity

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.

Uses of Estimates

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

Encumbrances

Encumbrances are not liabilities and therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying combined financial statements.

**NOTE B – PROPERTY TAX CALENDAR**

Property taxes for fiscal year 2015 were levied on the assessed valuation of property located in the School District as of January 1, 2014 lien date. The due date and collection periods for all taxes exclusive of vehicle taxes are as follows:

Description	per KRS 134.015
Due date for payment of taxes	Upon receipt
Face value amount payment date	December 31
Delinquent date, 5% penalty	January 1 – January 31
Delinquent date, 10% penalty	February 1

Vehicle taxes are collected by the County Clerk and are due and collected in the birth month of the vehicle's licensee.

PIKE COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2015

**NOTE C – CASH AND CASH EQUIVALENTS**

At year-end, the carrying amount of the District's total cash and cash equivalents was \$15,528,248. Of the total cash balance, \$250,000 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.

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

	<u>Book Balance</u>
Governmental Funds	
Fund 1 (General Fund)	\$ 9,478,641
Fund 2 (Special Revenue Fund)	( 928,053)
Fund 21 (District Activity Fund)	136,170
Fund 360 (Construction Fund)	1,142,629
Fund 400 (Debt Service Fund)	<u>1,431,904</u>
Total Governmental Funds	11,261,291
Proprietary Funds	858,438
Activity and Trust Funds	<u>1,203,230</u>
TOTALS	\$13,322,959
	<u>Bank Balance</u>
Community Trust Bank	\$ 14,096,344
U.S. Bank	<u>1,431,904</u>
Total Bank Balance	\$ 15,528,248

**NOTE D – CAPITAL ASSETS**

Depreciation expense was charged to functions of the governmental activities as follows:

Instruction	\$ 788,349
Support Services	
Student	6,241
Instructional staff	23,575
District administration	175,570
School administration	11,146
Business	91,416
Plant operations & maintenance	3,529,509
Student transportation	947,379
Community services	<u>366</u>
Total Depreciation expense, governmental activities	\$ 5,573,551

PIKE COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2015

**NOTE D - CAPITAL ASSETS**

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

Governmental Activities	Beginning	Additions	Deletions	Ending
Land	\$9,090,436		\$18,076	\$9,072,360
Land Improvements	9,021,154	978,667		9,999,821
Buildings/Bldg Improvements	142,294,221	1,381,503	144,249	143,531,475
Technology Equipment	9,536,969	1,569,431	569,805	10,536,595
Vehicles	15,724,399	149,926	19,834	15,854,491
General Equipment	3,508,943	87,136	6,100	3,589,979
Infrastructure	89,638			89,638
Construction Work In Process	<u>46,648,229</u>	<u>9,986,111</u>		<u>56,634,340</u>
Totals at historical cost	235,913,989	14,152,774	758,064	249,308,699
Less Accumulated Depreciation				
Land Improvements	7,277,072	250,037		7,527,109
Buildings/Bldg Improvements	59,641,997	3,118,179	113,868	62,646,308
Technology Equipment	7,408,728	878,618	557,115	7,730,231
Vehicles	10,189,972	1,081,496	19,834	11,251,634
General Equipment	2,625,279	222,811	5,118	2,842,972
Infrastructure	<u>9,337</u>	<u>22,410</u>		<u>31,747</u>
	87,152,385	5,573,551	695,935	92,030,001
Governmental Activities Capital Assets - Net	\$148,761,604	\$8,579,223	\$62,129	\$157,278,698
Business-Type Activities	Beginning	Additions	Deletions	Ending
Food Service				
Technology Equipment	\$107,700	\$1,925	\$15,733	\$93,892
Vehicles		36,635		36,635
General Equipment	<u>2,402,902</u>	<u>109,679</u>	<u>4,005</u>	<u>2,508,576</u>
	2,510,602	148,239	19,738	2,639,103
Less Accumulated Depreciation				
Technology Equipment	98,600	4,287	15,568	87,319
Vehicles		3,053		3,053
General Equipment	<u>2,095,777</u>	<u>64,556</u>	<u>3,319</u>	<u>2,157,014</u>
	2,194,377	71,896	18,887	2,247,386
Business-Type Activities Capital Assets - Net	\$316,225	\$76,343	\$851	\$391,717

PIKE COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2015

**NOTE E – BONDED DEBT AND LEASE OBLIGATIONS**

The amount shown in the accompanying financial statements as lease obligations represents the District's future obligations to make lease payments relating to the bonds issued aggregating the original amount of each issue, the issue date, and interest rates are summarized below:

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
February 1, 2005	\$4,310,000	2.30% - 3.60%
November 1, 2006	\$5,460,000	3.50% - 3.80%
February 1, 2007	\$2,210,000	4.00% - 4.40%
October 1, 2007	\$13,715,000	4.00% - 4.375%
May 1, 2008	\$3,505,000	2.10% - 3.25%
June 1, 2009	\$10,695,000	1.00% - 3.20%
October 1, 2009	\$1,735,000	1.20% - 4.125%
October 4, 2010	\$6,400,000	0.70% -3.10%
November 1, 2011	\$29,670,000	2.00% - 4.00%
November 1, 2011	\$11,000,000	4.62%
June 1, 2012	\$18,720,000	2.00% - 3.00%
May 1, 2013	\$3,880,000	1.00% - 2.00%
June 1, 2014	\$8,350,000	2.00% - 4.00%
June 1, 2015	\$3,650,000	2.00% - 4.00%

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

There are a number of limitations and restrictions contained in the various bond indentures. Management has indicated that the District is in compliance with all significant limitations and restrictions as of June 30, 2015.

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

On June 1, 2015 the District issue School Building Revenue Bonds Series 2015, in the amount of \$3,650,000. The proceeds of this issue are to be used for the construction project at Southside. This issue carries interest at 2.00% - 4.00% and matures June of 2035. Principal payments are made in June of each year and interest payments are made in June and December of each year.

PIKE COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2015

The following is a summary of the District's long-term debt transactions for the year ended.

	Beginning			Ending
	Balance	Additions	Payments	Balance
Bonds	\$99,633,000	\$3,650,000	\$5,945,000	\$97,338,000
Sick Leave	\$4,151,540	\$778,647	\$237,604	\$4,692,583
Capital Leases	\$405,749	\$0	\$146,760	\$258,989
Judgments	\$574,193	\$0	\$143,549	\$430,644

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

Year	Pike County School		Sinking	SFCC	Sinking		U.S.	Total
	Principal	Interest	Fund	Principal	Interest	Fund	Treasury	
2015-16	3,462,887	1,995,318	67,009	2,467,113	141,167	387,892	508,200	9,029,586
2016-17	3,542,999	1,927,259	64,891	2,292,001	134,894	390,010	508,200	8,860,254
2017-18	3,632,528	1,843,372	62,641	2,297,472	128,607	392,260	508,200	8,865,080
2018-19	3,721,274	1,752,001	65,196	2,193,726	122,201	389,705	508,200	8,752,303
2019-20	3,815,837	1,652,828	67,473	2,204,163	115,717	387,428	508,200	8,751,646
2020-21	3,927,078	1,546,098	64,413	1,847,922	107,332	390,488	508,200	8,391,531
2021-22	4,024,729	1,447,218	66,001	1,250,271	95,419	388,900	508,200	7,780,738
2022-23	4,130,500	1,337,524	67,393	1,294,500	83,275	387,508	508,200	7,808,900
2023-24	3,948,706	1,208,913	63,688	1,251,294	70,764	391,213	508,200	7,442,778
2024-25	2,892,036	1,073,492	64,836	987,964	58,822	390,065	508,200	5,975,415
2025-26	3,046,609	968,041	65,736	983,391	50,516	389,165	508,200	6,011,658
2026-27	3,159,647	855,103	66,436	1,025,353	46,318	388,465	508,200	6,049,522
2027-28	3,281,712	732,894	66,864	753,288	41,816	388,037	508,200	5,772,811
2028-29	3,411,971	602,248	67,017	268,029	36,810	387,884	508,200	5,282,159
2029-30	3,551,790	467,767	61,575	248,210	31,630	393,328	508,200	5,262,500
2030-31	15,609,236	326,852	63,593	158,764	26,076	391,308	254,100	16,829,929
2031-32	3,865,282	179,293	0	164,718	20,122	0	0	4,229,415
2032-33	934,105	87,357	0	170,895	13,945	0	0	1,206,302
2033-34	972,270	51,268	0	177,730	7,109	0	0	1,208,377
2034-35	<u>370,000</u>	<u>13,690</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>383,690</u>
	75,301,196	20,068,536	1,044,762	22,036,804	1,332,540	6,233,656	7,877,100	133,894,594

PIKE COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2015

**NOTE F – CAPITAL LEASE PAYABLE**

The District leases buses under capital leases with KISTA. The leases expire on various dates from June 2015 through June 2017.

<u>Classes of Property</u>	Book value as of
Buses	<u>June 30, 2015</u>
	\$ 200,732

The following is a schedule by years of the future minimum lease payments under capital lease together with the present value of the net minimum lease payments as of June 30, 2015.

<u>Year Ending</u> <u>June 30,</u>	<u>Capital Lease</u> <u>Payable</u>
2016	\$ 136,171
2017	137,336
2018	0
2019	0
2020	0
Thereafter	<u>0</u>
Total minimum lease payments	\$ 273,507
Less Amount representing interest	( <u>14,518</u> )
Present Value of Net Minimum Lease Payments	\$ 258,989

**NOTE G – COMMITMENTS UNDER NONCAPITALIZED LEASES**

Commitments under operating lease agreements for equipment provide the minimum future rental payments as of June 30, 2015 as follows:

Year ending June 30,	
2016	\$ 103,253
2017	70,599
2018	29,805
2019	17,981
2020	6,716
Later years	<u>4,605</u>
Total	\$ 232,959

**NOTE H - CONTINGENCIES**

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

PIKE COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2015

**NOTE I - INSURANCE AND RELATED ACTIVITIES**

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. The District purchases a builders risk policy and flood insurance through commercial insurance. The District is self-insured for workers compensation, property, general liability, auto liability, school board liability and crime. However, the District purchases commercial insurance through the Princeton Excess and Surplus Lines Insurance Company for additional coverage for the areas of self insurance.

**NOTE J – 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. At June 30, 2015, this amount totaled \$4,692,583 of which \$387,114 is committed in the current year fund balance of the General Fund.

**NOTE K – INTERFUND RECEIVABLES AND PAYABLES**

Interfund balances at June 30, 2015, consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
None		

**NOTE L – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases a builders risk policy and flood insurance through commercial insurance. The District is self-insured for workers compensation, property, general liability, auto liability, school board liability and crime. However, the District purchases commercial insurance through the Princeton Excess and Surplus Lines Insurance Company for additional coverage for the areas of self insurance.

The District purchased unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund.

**NOTE M – DEFICIT OPERATING/FUND BALANCES**

Funds with a current year deficit of revenues over expenditures

Fund 1	( 115,849)
Fund 360	( 5,376,808)
Fund 51	( 206,388)

**NOTE N – COBRA**

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss. The District notifies the Department of Employee Insurance (DEI) when an employee is no longer employed. DEI sends the employee the COBRA requirements

PIKE COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2015

**NOTE O – TRANSFER OF FUNDS**

The following transfers were made during the year.

Type	From Fund	To Fund	Purpose	Amount
Operating	1	2	KETS Matching	\$ 197,952
Operating	1	360	Construction	1,010,692
Operating	2	1	Indirect Cost	22,762
Operating	2	2	Flex Focus	75,952
Debt Service	320	400	Bond Payment	5,400,650
Operating	310	1	Capital Outlay	824,803
Operating	320	1	Capital Outlay	151,489
Debt Service	320	360	Construction	625,635
Operating	400	360	Construction	3,537,900

**NOTE P – ON-BEHALF PAYMENTS**

The financial statements include payments made by the Commonwealth of Kentucky for insurance, flexible spending, vocational and retirement benefits. The following amounts are included in each of the functions.

Health Insurance	\$ 9,114,875
Life Insurance	17,850
Administrative Fees	121,741
Health Reimbursement Account	656,026
Federal Reimbursement	(745,744)
KTRS	6,138,176
Technology On Behalf Payments	115,062
Debt Service On Behalf Payments	<u>3,736,234</u>
Total On-Behalf Payments	\$19,154,220
General Fund	\$ 13,917,651
Debt Service	3,736,234
Food Service	<u>1,500,335</u>
Total On-Behalf Payments	\$19,154,220

**NOTE Q – DEPOSITS AND INVESTMENTS**

Interest rate risk. In accordance with the District's investment policy, interest rate risk is limited by investing in public funds with the highest rate of return with the maximum security of principal. Investments are undertaken in a manner that seeks to ensure preservation of the capital in its portfolio.

Credit risk. The District's investment policy limits the types of authorized investment instruments to obligations of the United States, its agencies, and instrumentalities. In addition, certificates of deposit or bonds of a bank or the Commonwealth of Kentucky, securities issued by a state or local government or shares of mutual funds are acceptable investments.

Concentration of credit risk. The district may invest, at any one time, funds in any one of the above listed categories with no limitation of the total amount of funds invested on behalf of the District.

PIKE COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2015

**NOTE Q – DEPOSITS AND INVESTMENTS (continued)**

Custodial credit risk – deposits. For deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned. The District maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As allowed by law the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times. As of June 30, 2015, the District’s deposits are entirely insured and/or collateralized with securities held by the financial institutions on the District’s behalf and the FDIC insurance.

**NOTE R – KSBIT JUDGMENT**

On June 4, 2014, the Franklin Circuit Court issued an order instructing the Rehabilitator to assess the former members of the Kentucky School Boards Insurance Trust Workers’ Compensation Fund. The District was assessed \$574,195. The District has elected to pay 25% by August 31, 2014, and the balance in equal installments for 6 years.

The following is a schedule by years of the future payments under the agreement.

Year Ending	<u>Amount</u>
<u>June 30,</u>	
2016	\$ 71,774
2017	71,774
2018	71,774
2019	71,774
2020	71,774
2021	<u>71,774</u>
Total	\$ 430,644

**NOTE S – GASB 68 AND 71**

In March 2009, the Governmental Accounting Standards Board (GASB) approved Statement No. 68, Accounting and Financial Reporting for Pensions. Statement 68 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. In November 2013, the GASB approved Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of the statement were adopted by the District for the fiscal year beginning July 1, 2014.

PIKE COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2015

**NOTE T – RETIREMENT PLANS**

The following are payroll and retirement amounts for the years ended June 30, 2015, 2014, and 2013.

	2015	2014	2013
Total payroll	\$53,846,133	\$54,615,508	\$53,952,393
KTRS total payroll	\$39,104,554	\$39,702,320	\$39,153,394
CERS total payroll	\$14,091,228	\$17,855,475	\$16,745,704
Contributions requirement for CERS	\$3,238,397	\$3,507,181	\$3,486,878
CERS contribution - District portion	\$2,497,359	\$2,748,507	\$2,754,243
CERS contribution - Employee portion	\$741,038	\$758,674	\$732,635
KTRS contribution - Commonwealth of KY	\$5,392,432	\$3,974,563	\$4,255,757
KTRS contribution - District federal employees	\$745,744	\$523,154	\$973,024

**NOTE U – GENERAL INFORMATION ABOUT THE PENSION PLANS**

**Teachers’ Retirement System of the State of Kentucky (KTRS)**

Plan Description – Teaching-certified employees of the 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 education 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 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 services, 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 and 2.5% to 3% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for members hired on or after that date.

**NOTE U – GENERAL INFORMATION ABOUT THE PENSION PLANS (continued)**

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 of 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.

PIKE COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2015

**NOTE U – GENERAL INFORMATION ABOUT THE PENSION PLANS (continued)**

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

At June 30, 2015, the Kentucky School District did not report a liability for its proportionate share of the net pension liability because the State 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:

State's proportionate share of the net pension liability associated with the District	<u>\$ 260,475,099</u>
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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 System as determined by the actuary. At June 30, 2014, the District's proportion was 1.2 percent.

District contributions subsequent to the measurement date of \$745,744 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

For the year ended June 30, 2015, the District recognized pension expense of \$12,783,810 and revenue of \$12,783,810 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PIKE COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2015

**NOTE U – GENERAL INFORMATION ABOUT THE PENSION PLANS (continued)**

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

Investment rate of return	7.50%, net of pension plan investment expense, including inflation.
Projected salary increases	4.00 – 8.20%, including inflation
Inflation rate	3.50%
Municipal Bond Index Rate	4.35%
Single Equivalent Interest Rate	5.23%

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:

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

PIKE COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2015

**NOTE U – GENERAL INFORMATION ABOUT THE PENSION PLANS (continued)**

*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 was performed in accordance with GASB 67. It was 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 and as a result, the Municipal Bond Index Rate was used in the determination of the Single Equivalent Interest Rate (SEIR). On the Prior Measurement Date, the long-term expected rate of return of 7.50% on Plan investments was applied to periods before 2036 and a municipal bond index rate of 4.27% was applied to periods on or after 2036, resulting in an SEIR of 5.16%. There was a change in the Municipal Bond Index Rate from the Prior Measurement Date to the Measurement Date, so as required under GASB 68, the SEIR at the Measurement Date of 5.23% was calculated using the Municipal Bond Index Rate as of the Measurement Date (4.35%). This change in the discount rate is considered a change in actuarial assumptions under GASB 68.

The following table presents the District's proportionate share of the net pension liability of the System, calculated using the discount rate of 5.23%, 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 (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%)
System's net pension liability	353	281	222

PIKE COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2015

**NOTE U – GENERAL INFORMATION ABOUT THE PENSION PLANS (continued)**

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

June 30, 2013 is the actuarial valuation date upon which the TPL is based. An expected TPL is determined as of June 30, 2014 using standard roll forward techniques. The procedure used to determine the TPL as of June 30, 2014 is shown on page 6 of the GASB 67 report for KTRS submitted on December 11, 2014.

Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense they are labeled deferred inflows. If they will increase pension expense they are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average expected remaining service life of the active and inactive Plan members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five year period.

**KENTUCKY RETIREMENT SYSTEM**  
**County Employees Retirement System (CERS)**

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 17.67% of the member's salary. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

PIKE COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2015

**NOTE U – GENERAL INFORMATION ABOUT THE PENSION PLANS (continued)**

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 .055022%.

For the year ended June 30, 2015, the District recognized pension expense of \$1,620,000. At June 30, 2015, the District reported deferred outflows of resources for District contributions subsequent to the measurement date of \$2,497,359 and deferred inflows of resources related to pensions from the net difference between projected and actual earnings on pension plan investments in the amount of \$2,259,000.

District contributions subsequent to the measurement date of \$2,497,359 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to CERS will be recognized in pension expense as follows:

<u>Year</u>	
2016	\$ 451,800
2017	451,800
2018	451,800
2019	451,800
2019	<u>451,800</u>
	<u>\$ 2,259,000</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

PIKE COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2015

**NOTE U – GENERAL INFORMATION ABOUT THE PENSION PLANS (continued)**

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 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>
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>	

PIKE COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2015

**NOTE U – GENERAL INFORMATION ABOUT THE PENSION PLANS (continued)**

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 of benefit payments to determine the total pension liability.

The Schedule of 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:

	1% Decrease (6.75%)	Current discount rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 26,627,000	\$ 20,234,000	\$ 14,586,000

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 the District had payables to CERS in the amount of \$0 for June's covered payroll with contributions required to be paid in July.

PIKE COUNTY SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2015

**NOTE V – RESTATEMENT OF FUND BALANCE – DEBT SERVICE**

Cash in Bank, Sinking Fund June 30, 2014 \$ 934,089

The District and SFCC contributes to a Sinking Fund each year for the future payment of the 2011 QSCB bond payment. The payments have been recorded as bond payments in prior year instead of payments to the sinking fund.

**NOTE W – RESTATEMENT OF NET POSITION – DISTRICT WIDE**

	Governmental	Proprietary
Cash in Bank, Sinking Fund	\$ 934,089	\$
Bonds Payable	( 3,684,680)	
Pension Liability	<u>(16,105,399)</u>	<u>2,528,023</u>
Restatement of beginning net position	\$(18,855,990)	\$ 2,528,023

The District and SFCC contributes to a Sinking Fund each year for the future payment of the 2011 QSCB bond payment. The payments have been recorded as bond payments in prior year instead of payments to the sinking fund.

The District adopted GASB 68 and 71 during the fiscal year, recording their proportionate share of the pension plan liabilities.

**NOTE X – REISSUANCE**

The financial statements were issued to correct the pension expense reported on the financial statements to the amount reported as contributions for KTRS on Schedule A. An equal amount is reported as On-Behalf payments made by the Commonwealth of Kentucky. The reissuance does not affect ending net assets for any fund. The following pages have been changed to reflect the correction.

Page 7 – Date of the Report, an statement has been added, “Except for Note X, as to which the date is January 18, 2016.

Page 14 – Instruction Expense changed from \$44,109,639 to \$45,522,738 and State aid-formula grants changed from \$57,676,882 to \$59,089,981

Page 17 and 51 – Instruction Expense (actual) changed from \$39,060,262 to \$40,473,361 and Intergovernmental-State (actual) changed from \$51,293,268 to \$52,706,367

SUPPLEMENTARY INFORMATION

PIKE COUNTY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND  
 For The Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	17,500,000	17,720,000	20,582,290	2,862,290
Other Local Sources	96,840	96,840	532,144	435,304
State Sources	50,528,555	50,971,688	52,706,367	1,734,679
Federal Sources	<u>150,000</u>	<u>150,000</u>	<u>177,298</u>	<u>27,298</u>
<b>TOTAL REVENUES</b>	<b>68,275,395</b>	<b>68,938,528</b>	<b>73,998,099</b>	<b>5,059,571</b>
<b>EXPENDITURES</b>				
Instruction	43,196,793	43,762,613	40,473,361	3,289,252
Support Services				
Student	3,289,380	3,361,211	3,592,753	(231,542)
Instructional Staff	2,781,760	2,923,022	3,185,959	(262,937)
District Administration	2,806,247	2,950,884	2,811,683	139,201
School Administration	3,642,167	3,539,929	4,327,219	(787,290)
Business	1,272,309	1,276,008	1,318,173	(42,165)
Plant Operation and Maintenance	9,717,580	9,712,836	11,515,177	(1,802,341)
Student Transportation	5,497,298	5,517,418	6,309,490	(792,072)
Community Service	0	0	187,542	(187,542)
Land/Site Acquisition	20,000	20,000	14,579	5,421
Architectural/Engineer	0	0	36,788	(36,788)
Debt Service	161,634	161,634	161,634	0
Contingency	<u>1,350,000</u>	<u>1,699,048</u>	<u>0</u>	<u>1,699,048</u>
<b>TOTAL EXPENDITURES</b>	<b>73,735,168</b>	<b>74,924,603</b>	<b>73,934,358</b>	<b>990,245</b>
Excess (Deficit) of Revenues Over Expenditures	(5,459,773)	(5,986,075)	63,741	6,049,816
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of Land	0	0	30,000	30,000
Operating Transfers In	849,773	843,076	999,054	155,978
Operating Transfers Out	<u>(140,000)</u>	<u>(140,000)</u>	<u>(1,208,644)</u>	<u>(1,068,644)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>709,773</b>	<b>703,076</b>	<b>(179,590)</b>	<b>(882,666)</b>
Excesss (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(4,750,000)	(5,282,999)	(115,849)	5,167,150
Fund Balance, July 1, 2014	<u>4,750,000</u>	<u>5,282,999</u>	<u>6,849,541</u>	<u>1,566,542</u>
Fund Balance, June 30, 2015	\$0	\$0	\$6,733,692	\$6,733,692

PIKE COUNTY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE FOR SPECIAL REVENUE  
 For The Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>REVENUES</b>				
State Sources	\$3,173,472	\$3,198,316	\$3,042,137	(156,179)
Federal Sources	8,376,401	8,846,938	8,745,723	(101,215)
Local Sources	<u>652,277</u>	<u>804,881</u>	<u>667,230</u>	<u>(137,651)</u>
<b>TOTAL REVENUES</b>	<b>12,202,150</b>	<b>12,850,135</b>	<b>12,455,090</b>	<b>(395,045)</b>
<b>EXPENDITURES</b>				
Instruction	8,322,896	8,873,375	8,761,955	111,420
Support Services				
Student	255,210	210,080	224,632	(14,552)
Instructional Staff	1,642,783	1,783,691	1,718,300	65,391
Business	183,091	190,105	187,368	2,737
Student Transportation	79,600	53,399	61,437	(8,038)
Plant Operations & Maintenance	22,291	29,198	22,149	7,049
Community Service Operations	<u>1,818,006</u>	<u>1,829,698</u>	<u>1,654,439</u>	<u>175,259</u>
<b>TOTAL EXPENDITURES</b>	<b>12,323,877</b>	<b>12,969,546</b>	<b>12,630,280</b>	<b>339,266</b>
Excess (Deficit) of Revenues Over Expenditures	(121,727)	(119,411)	(175,190)	(55,779)
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating Transfers In	140,000	215,952	273,904	57,952
Operating Transfers Out	<u>(18,273)</u>	<u>(97,212)</u>	<u>(98,714)</u>	<u>(1,502)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>121,727</b>	<b>118,740</b>	<b>175,190</b>	<b>56,450</b>
Excesss (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	0	(671)	0	671
Restricted Fund Balance, July 1, 2014	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Restricted Fund Balance, June 30, 2015	\$0	(\$671)	\$0	\$671

PIKE COUNTY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 SPECIAL REVENUE FUNDS  
 As of June 30, 2015

	Special Revenue Fund	District Activity Fund	Total
<b>ASSETS AND RESOURCES</b>			
Cash and equivalents	\$0	\$136,170	\$136,170
Accounts receivable	<u>1,843,493</u>	<u>3,337</u>	<u>1,846,830</u>
<b>TOTAL ASSETS</b>	<b>\$1,843,493</b>	<b>\$139,507</b>	<b>\$1,983,000</b>
<b>LIABILITIES</b>			
Bank Overdraft	928,053		928,053
Accounts Payable	215,707	22,203	237,910
Unearned Revenue	574,230		574,230
Accrued Salaries & Benefits Payable	<u>125,503</u>		<u>125,503</u>
<b>TOTAL LIABILITIES</b>	<b>1,843,493</b>	<b>22,203</b>	<b>1,865,696</b>
<b>FUND BALANCES</b>			
Restricted - Other		<u>117,304</u>	<u>117,304</u>
<b>TOTAL FUND BALANCES</b>		<b>117,304</b>	<b>117,304</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$1,843,493</b>	<b>\$139,507</b>	<b>\$1,983,000</b>

PIKE COUNTY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 SPECIAL REVENUE FUNDS  
 For The Year Ended June 30, 2015

	Special Revenue Fund	District Activity Fund	Total
<b>REVENUES</b>			
State Sources	\$3,042,137	\$	\$3,042,137
Federal Sources	8,745,723		8,745,723
Local Sources	<u>667,230</u>	<u>279,667</u>	<u>946,897</u>
<b>TOTAL REVENUES</b>	<b>12,455,090</b>	<b>279,667</b>	<b>12,734,757</b>
<b>EXPENDITURES</b>			
Instruction	8,761,955	129,683	8,891,638
Support Services			
Student	224,632		224,632
Instructional Staff	1,718,300	22,605	1,740,905
School Administration		400	400
Business	187,368		187,368
Plant Operations & Maintenance	22,149		22,149
Student Transportation	61,437	9,675	71,112
Community Service Operations	<u>1,654,439</u>		<u>1,654,439</u>
<b>TOTAL EXPENDITURES</b>	<b>12,630,280</b>	<b>162,363</b>	<b>12,792,643</b>
Excess (Deficit) of Revenues Over Expenditures	(175,190)	117,304	(57,886)
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating Transfers In	273,904		273,904
Operating Transfers Out	<u>(98,714)</u>		<u>(98,714)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>175,190</b>		<b>175,190</b>
Excesss (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	0	117,304	117,304
Restricted Fund Balance, July 1, 2014	<u>0</u>	<u>0</u>	<u>0</u>
Restricted Fund Balance, June 30, 2015	\$0	\$117,304	\$117,304

PIKE COUNTY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 As of June 30, 2015

	SEEK Capital Outlay Fund	Building Fund	Total
ASSETS AND RESOURCES			
Cash and equivalents	\$0	\$0	\$0
TOTAL ASSETS AND RESOURCES	\$0	\$0	\$0
FUND BALANCES			
Restricted - SFCC	\$0	\$0	\$0
TOTAL FUND BALANCES	0	0	0
TOTAL LIABILITIES AND FUND BALANCES	\$0	\$0	\$0

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

	SEEK Capital Outlay Fund	Building Fund	Total
REVENUES			
Property Taxes	\$	\$2,939,534	\$2,939,534
Intergovernmental-State	<u>824,803</u>	<u>3,238,240</u>	<u>4,063,043</u>
TOTAL REVENUES	824,803	6,177,774	7,002,577
EXPENDITURES			
TOTAL EXPENDITURES	0	0	0
Excess (deficit) revenues over expenditures	824,803	6,177,774	7,002,577
OTHER FINANCING SOURCES (USES)			
Operating transfers out	<u>(824,803)</u>	<u>(6,177,774)</u>	<u>(7,002,577)</u>
TOTAL OTHER FINANCING SOURCES (USES)	(824,803)	(6,177,774)	(7,002,577)
Excess (deficit) revenues and other financing sources over expenditures and other financing uses	0	0	0
Restricted Fund Balance, July 1, 2014	<u>0</u>	<u>0</u>	<u>0</u>
Restricted Fund Balance, June 30, 2015	\$0	\$0	\$0

PIKE COUNTY SCHOOL DISTRICT  
 COMBINING STATEMENT OF NET POSITION  
 SCHOOL ACTIVITY FUNDS  
 As of June 30, 2015

	Belfry High School	East Ridge High School	Phelps High School	Pike County Central High School	Shelby Valley High School
<b>ASSETS</b>					
Cash and equivalents	\$139,605	\$109,866	\$100,489	\$53,544	\$137,034
Accounts receivable	<u>12,027</u>	<u>0</u>	<u>5,321</u>	<u>485</u>	<u>284</u>
<b>TOTAL ASSETS</b>	<b>\$151,632</b>	<b>\$109,866</b>	<b>\$105,810</b>	<b>\$54,029</b>	<b>\$137,318</b>

<b>LIABILITIES</b>					
Accounts payable	\$22,219	\$460	\$2,691	\$2,731	\$0
Due to student groups	<u>129,413</u>	<u>109,406</u>	<u>103,119</u>	<u>51,298</u>	<u>137,318</u>
<b>TOTAL LIABILITIES</b>	<b>\$151,632</b>	<b>\$109,866</b>	<b>\$105,810</b>	<b>\$54,029</b>	<b>\$137,318</b>

	Belfry Middle School	Feds Creek School	Johns Creek School	Millard School	Mullins School
<b>ASSETS</b>					
Cash and equivalents	\$60,108	\$11,336	\$49,211	\$88,898	\$77,088
Accounts receivable	<u>15</u>	<u>0</u>	<u>707</u>	<u>0</u>	<u>234</u>
<b>TOTAL ASSETS</b>	<b>\$60,123</b>	<b>\$11,336</b>	<b>\$49,918</b>	<b>\$88,898</b>	<b>\$77,322</b>

<b>LIABILITIES</b>					
Accounts payable	\$265	\$0	\$3,245	\$0	\$8,437
Due to student groups	<u>59,858</u>	<u>11,336</u>	<u>46,673</u>	<u>88,898</u>	<u>68,885</u>
<b>TOTAL LIABILITIES</b>	<b>\$60,123</b>	<b>\$11,336</b>	<b>\$49,918</b>	<b>\$88,898</b>	<b>\$77,322</b>

	Valley Elementary School	Bevins Elementary School	Blackberry Elementary School	Dorton Elementary School	Elkhorn City Elementary School
<b>ASSETS</b>					
Cash and equivalents	\$81,632	\$41,421	\$7,847	\$62,093	\$54,447
Accounts receivable	<u>300</u>	<u>74</u>	<u>0</u>	<u>659</u>	<u>0</u>
<b>TOTAL ASSETS</b>	<b>\$81,932</b>	<b>\$41,495</b>	<b>\$7,847</b>	<b>\$62,752</b>	<b>\$54,447</b>

<b>LIABILITIES</b>					
Accounts payable	\$1,437	\$0	\$0	\$403	\$0
Due to student groups	<u>80,495</u>	<u>41,495</u>	<u>7,847</u>	<u>62,349</u>	<u>54,447</u>
<b>TOTAL LIABILITIES</b>	<b>\$81,932</b>	<b>\$41,495</b>	<b>\$7,847</b>	<b>\$62,752</b>	<b>\$54,447</b>

PIKE COUNTY SCHOOL DISTRICT  
 COMBINING STATEMENT OF NET POSITION  
 SCHOOL ACTIVITY FUNDS  
 As of June 30, 2015

	Kimper Elementary School	Phelps Elementary School	Southside Elementary School	Shelby Valley Day Treatment	Phelps Day Treatment
<b>ASSETS</b>					
Cash and equivalents	\$18,373	\$27,918	\$72,508	\$1,653	\$40
Accounts receivable	<u>0</u>	<u>0</u>	<u>106</u>	<u>0</u>	<u>0</u>
<b>TOTAL ASSETS</b>	<b>\$18,373</b>	<b>\$27,918</b>	<b>\$72,614</b>	<b>\$1,653</b>	<b>\$40</b>
<b>LIABILITIES</b>					
Accounts payable	\$0	\$170	\$5,007	\$0	\$0
Due to student groups	<u>18,373</u>	<u>27,748</u>	<u>67,607</u>	<u>1,653</u>	<u>40</u>
<b>TOTAL LIABILITIES</b>	<b>\$18,373</b>	<b>\$27,918</b>	<b>\$72,614</b>	<b>\$1,653</b>	<b>\$40</b>

	North Point Academy	Total
<b>ASSETS</b>		
Cash and equivalents	\$8,119	\$1,203,230
Accounts receivable	<u>0</u>	<u>20,212</u>
<b>TOTAL ASSETS</b>	<b>\$8,119</b>	<b>\$1,223,442</b>
<b>LIABILITIES</b>		
Accounts payable	\$0	\$47,065
Due to student groups	<u>8,119</u>	<u>1,176,377</u>
<b>TOTAL LIABILITIES</b>	<b>\$8,119</b>	<b>\$1,223,442</b>

PIKE COUNTY SCHOOL DISTRICT  
 COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS  
 SCHOOL ACTIVITY FUNDS

For The Year Ended June 30, 2015

	Cash Balances		Receipts	Disbursement	Cash Balances		Accounts		Accounts Payable	Due To Student Groups
	July 1, 2014	June 30, 2014			June 30, 2015	June 30, 2015	Receivable	June 30, 2015		
Belfry High School	\$120,035	\$464,032	\$444,462	\$139,605	\$12,027	\$22,219	\$129,413			
East Ridge High School	\$94,064	\$220,542	\$204,740	\$109,866	\$0	\$460	\$109,406			
Phelps High School	\$119,518	\$191,333	\$210,362	\$100,489	\$5,321	\$2,691	\$103,119			
Pike Central High School	\$78,411	\$301,431	\$326,298	\$53,544	\$485	\$2,731	\$51,298			
Shelby Valley High School	\$143,250	\$418,821	\$425,037	\$137,034	\$284	\$0	\$137,318			
Belfry Middle School	\$16,642	\$240,683	\$197,217	\$60,108	\$15	\$265	\$59,858			
Feds Creek School	\$21,019	\$67,241	\$76,924	\$11,336	\$0	\$0	\$11,336			
Johns Creek School	\$36,909	\$227,041	\$214,739	\$49,211	\$707	\$3,245	\$46,673			
Millard School	\$60,712	\$191,982	\$163,796	\$88,898	\$0	\$0	\$88,898			
Mullins School	\$49,724	\$339,531	\$312,167	\$77,088	\$234	\$8,437	\$68,885			
Valley Elementary	\$92,047	\$280,503	\$290,918	\$81,632	\$300	\$1,437	\$80,495			
Bevins Elementary	\$46,001	\$68,646	\$73,226	\$41,421	\$74	\$0	\$41,495			
Blackberry Elementary	\$9,966	\$26,607	\$28,726	\$7,847	\$0	\$0	\$7,847			
Dorton Elementary	\$75,800	\$102,818	\$116,525	\$62,093	\$659	\$403	\$62,349			
Elkhorn City Elementary	\$52,849	\$163,863	\$162,265	\$54,447	\$0	\$0	\$54,447			
Kimper Elementary	\$18,388	\$70,748	\$70,763	\$18,373	\$0	\$0	\$18,373			
Majestic Elementary	\$18,141	\$3,859	\$22,000	\$0	\$0	\$0	\$0			
Phelps Elementary	\$32,601	\$142,414	\$147,097	\$27,918	\$0	\$170	\$27,748			
Southside Elementary	\$69,800	\$103,292	\$100,584	\$72,508	\$106	\$5,007	\$67,607			
Shelby Valley Day Treatment	\$1,378	\$1,130	\$855	\$1,653	\$0	\$0	\$1,653			
Phelps Day Treatment	\$48	\$100	\$108	\$40	\$0	\$0	\$40			
North Point Academy	\$5,015	\$3,348	\$244	\$8,119	\$0	\$0	\$8,119			
Totals	\$1,162,318	\$3,629,965	\$3,589,053	\$1,203,230	\$20,212	\$47,065	\$1,176,377			

PIKE COUNTY BOARD OF EDUCATION  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS  
 BELFRY HIGH SCHOOL

For The Year Ended June 30, 2015

	Cash Balances Beginning	Receipts	Disbursements	Transfers	Cash Balances Ending	Accounts Receivable Ending	Accounts Payable Ending	Due To Student Groups Ending
General Fund	\$31	\$13,624	\$19,495	\$11,767	\$5,927	\$5,000	\$0	\$10,927
Academic Team	531	1,716	3,013	767	1			2,001
Tennis	4,703	550	3,252		2,001			0
Spirit Team	0	462	1,499	1,037	0			35
Golf Team	124	1,752	1,841		35			0
Nancy Scott Scholar	500	500	500		500		500	0
Instructional Fees	0	15,064	4,193	(7,568)	3,303		320	2,983
Debbie Hunter Schol	500	500	500		500		500	0
Locker Fees	697	20		(717)	0			0
Textbooks Rental	1,030	20		(1,050)	0			0
Faculty	31	8,608	9,320	732	51	27		78
Homecoming	4	64	59		9			9
Honor Society	88	1,177	1,294	29	0			0
Wrestling	0	2,411	3,243	1,039	207			207
STLP	371	524	618		277			277
YGA-KYA	0	9,335	10,157	823	1			1
MU Alpha Theta	0	240	255	15	0			0
Business	5				5			5
Stores	4,865	40,592	21,360	(21,995)	2,102			2,102
Robotics	803	8,233	3,211		5,825			5,825
Venturino	500	328	500		328			328
Beta Club	0	480	480		0			0
Spanish 3	0	8,448	8,189		259			259
Inter-Act	0	453			453			453
FCA	0	70			70			70
Charles Johnson Gra	5,000	5,000	5,000		5,000		5,000	0
HOSA	1,431	4,372	3,785	(59)	1,959		130	1,829
Football	27,439	133,000	125,178	(11,787)	23,474		9,511	13,963

PIKE COUNTY BOARD OF EDUCATION  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS  
 BELFRY HIGH SCHOOL

For The Year Ended June 30, 2015

	Cash Balances Beginning	Receipts	Disbursements	Transfers	Cash Balances Ending	Accounts Receivable Ending	Accounts Payable Ending	Due To Student Groups Ending
Youth Football	7,879	7,133	7,112		7,900			7,900
Football II	19,000	3,650		10,000	32,650			32,650
Boys Basketball	554	36,911	39,346	1,957	76			76
Youth Basketball	250				250			250
Girls Basketball	3,124	11,179	14,227		76			76
Baseball	569	11,825	12,394		0			0
Boys Cheerleaders	5,278	25,581	24,763	2,616	8,712		2,758	5,954
Girls Cheerleaders	0	2,616		(2,616)	0			0
Softball	680	7,296	10,278	2,302	0			0
Volleyball	4,026	6,594	7,226		3,394			3,394
Art Honor Society	84	1,310	779		615			615
Special Needs	275	4,585	3,907		953			953
Boys & Girls Soccer	11,027	18,136	13,374		15,789	6,000		21,789
JR Class	810	9,394	12,816	2,612	0			0
JR ROTC	2,910	466	3,687	312	1			1
SADD	429	1,375	1,130		674			674
YALSA	590	42			632			632
Speech & Drama	292	1,258	424		1,126			1,126
FBLA	91	899	1,638	648	0			0
Childern Inc.	1,547	15,119	15,241	(698)	727			727
Youth Service Center	848	1,265			2,113			2,113
Annual	677	28,523	27,821	(879)	500			500
Varney Scholarship	3,000		1,000		2,000		1,000	1,000
Science	0	300	119		181			181
Track	1	83	1,529	1,445	0			0
Southside Scholarship	1,750	1,500	1,750		1,500		1,500	0
Band	1,607	6,514	6,059		2,062			2,062
School Newspaper	299	918	900		317			317

PIKE COUNTY BOARD OF EDUCATION  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS  
 BELFRY HIGH SCHOOL

For The Year Ended June 30, 2015

	Cash Balances Beginning	Receipts	Disbursements	Transfers	Cash Balances Ending	Accounts Receivable Ending	Accounts Payable Ending	Due To Student Groups Ending
Frank Welch Memorial	235				235			235
Elsie Mayhorn McCoy Scho	0				0	1,000	1,000	0
Marquee	3,550	2,017		(732)	4,835			4,835
DAF PD	0		6,500		0			0
Daf Building/Gound	0		3,500		0			0
Totals	\$120,035	\$464,032	\$444,462	\$0	\$139,605	\$12,027	\$22,219	\$129,413

PIKE COUNTY BOARD OF EDUCATION  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS  
 EAST RIDGE HIGH SCHOOL

For The Year Ended June 30, 2015

	Cash Balances		Receipts	Disbursements	Transfers	Cash Balances Ending	Accounts Payable		Due To Student Groups Ending
	Beginning	Ending					Ending	Ending	
General Fund	\$412	\$2,331	\$1,019	\$6,435	\$8,159	\$0	\$301	\$7,858	
Library	35	425	(204)		256			256	
Scholarship	11,275	16,250	14,875		12,650			12,650	
Parking	2,865	505	277		3,093			3,093	
Textbooks	5,089	2,960		(5,089)	2,960			2,960	
Student Activities	350	1,186	332	106	1,310			1,310	
JKG Cedar Grant	1	(1)			0			0	
JKG Cedar Grant	48	21,569	22,140	524	1			1	
Warrior Wearhouse	1,744	2,939	5,631	2,486	1,538			1,538	
FMD	87	2,150	1,653	(160)	424			424	
History Club	209			(209)	0			0	
Rain Dance Club	38	2	40		0			0	
Academic Team	0	2,050	1,934	59	175			175	
Athletics	0	19,942	9,825	(8,567)	1,550			1,550	
E.R Wrestling	660			(660)	0			0	
Boys Basketball	0	6,564	7,851	1,287	0			0	
Girls Basketball	0	5,161	5,556	420	25			25	
Rest FB Boosters Co	0	9,047	3,280	(5,118)	649			649	
Restricted FB Boost	0	6,132	2,211	(30)	3,891			3,891	
Foorball	0	9,477	18,014	8,537	0			0	
ER Middle School Fo	0	4,233	2,049	(2,183)	1			1	
Softball	0	4,647	6,489	1,842	0			0	
Baseball/Softball Ca	0	75	(75)		0			0	
Baseball	0	4,335	6,769	2,434	0			0	
ER Middle School Bas	0	7,987	7,051	(861)	75			75	
Baseball 59thdistrict	323	750	293	(780)	0			0	
Softball 58th District	302	750	302	(750)	0			0	
Volleyball	0	6,657	6,657		0			0	
Track	0	83	1,231	1,148	0			0	
Culture Club	1,059	2,630	1,095	(306)	2,288			2,288	

PIKE COUNTY BOARD OF EDUCATION  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS  
 EAST RIDGE HIGH SCHOOL

For The Year Ended June 30, 2015

	Cash Balances		Receipts	Disbursements	Transfers	Cash Balances	Accounts	Accounts	Due To
	Beginning	Ending				Ending	Receivable	Payable	Student Groups
							Ending	Ending	Ending
Trip 2016	0	750				750			750
Cheerleaders	5,281	16,279	21,584	1,614		1,590			1,590
Golf	0	778	778	778		0			0
JROTC Vending	3,181	4,893	2,688	(2,693)		2,693			2,693
Teachers Lounge Co	1,050	5,866	5,863	40		1,093			1,093
Gatoraide Concession	1,774					1,774			1,774
Athletic Vending	0	1,344	1,344			0			0
Jukebox	0	261				261			261
ART	0	251	251			0			0
Cisco Kids	234		228	(6)		0			0
Band	4	5,567	4,851	209		929		46	883
Chior	100	1,093	1,168			25			25
JROTC Drill Team	6,717	4,682	5,801	1,046		6,644		113	6,531
Drama Club	177	1,215	1,381			11			11
Annual/Yearbook	24,327	6,655	3	(858)		30,121			30,121
Pictures	8,344	1,400				9,744			9,744
Beta Club	458					458			458
FCA	224			(224)		0			0
National Honor Society	867	390	1,266	16		7			7
Childern Inc	46	8,715	6,930	(65)		1,766			1,766
Guidance Counselor	0	336				336			336
Safe School Campaign	100			(100)		0			0
Prom	12,031	10,097	12,444			9,684			9,684
Homecoming Activities		739	246			493			493
Student Enrichment	3,219	4,288	5,700			1,807			1,807
Seniors	124	4,478	4,490			112			112
Gifted and Talented	53					53			53
FBLA	1,256	406	646	(546)		470			470
Daf Instruction	0	300	300			0			0
Daf Library	0	204	204			0			0
Totals	\$94,064	\$220,542	\$204,740	\$0	\$0	\$109,866	\$0	\$460	\$109,406

PIKE COUNTY BOARD OF EDUCATION  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS  
 PHELPS HIGH SCHOOL

For The Year Ended June 30, 2015

	Cash Balances Beginning	Receipts	Disbursements	Transfers	Cash Balances Ending	Accounts Receivable Ending	Accounts Payable Ending	Due To Student Groups Ending
General Fund	\$802	\$3,691	\$3,411	\$1,700	\$2,782	\$0	\$0	\$2,782
Student Activities	7,376	398	3,101	(473)	\$4,200			4,200
Dual Credit	732	425	560		597			597
SR Class	646	909	1,141	(54)	360			360
Volleyball	3,333	11,093	13,659	1,743	2510			2,510
JH volleyball	412	3,652	3,322	1,215	1,957			1,957
Book Rental	1,210	28		(1,238)	0			0
Lockers	3,782	1,195		(4,977)	0			0
Cheerleaders	141	1,246	1,802	561	146			146
Wrestling	0	3,909	3,829	799	879			879
Varsity Basketball	3,349	18,046	20,858	5,400	5,937	2,767		8,704
Football	8,020	8,041	15,601	1,868	2,328			2,328
Dance Team	73		73		0			0
Baseball	1,995	2,544	2,576		1,963			1,963
Softball	85	7,323	7,523	430	315			315
JH Boys Basketball	4,572	5,205	8,023	1,767	3,521			3,521
JH Football	41				41			41
60th Concession	0	3,893	1,987	(1,906)	0			0
60th District Shirts	0	1,805	1,656	(149)	0			0
60th District Gate	0	10,414	7,807	(2,607)	0			0
60th District Prog Books	0	2,390	192	(2,198)	0			0
JH Girls Basketball	330	4,893	4,567	1,975	2,631			2,631
Phelps Elem LL B'ball	0	2,998	1,143	771	2,626			2,626
Concession Little Le	0	1,392	637	(755)	0			0
National Honor Society	226	220	85		361			361
JROTC	1,063	4,019	5,016	450	516	1,862	1,863	515
FBLA	371	225	438		158			158
Varsity Academic team	156	395	339	(100)	112			112

PIKE COUNTY BOARD OF EDUCATION  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS  
 PHELPS HIGH SCHOOL

For The Year Ended June 30, 2015

	Cash Balances		Receipts	Disbursements	Transfers	Cash Balances	Accounts Payable		Due To
	Beginning	Ending					Ending	Ending	
JR High Academic Team	0	175	200	100	75				75
Library Fund	517	2,390	2,390	(517)	0				0
Prom	318	8,011	9,514	1,194	9				9
Pep Club	560		176	(384)	0				0
Children Incorporated	19,260	12,095	12,475		18,880				18,880
H.O.T. Program	33			(33)	0				0
School Store	15,413	13,610	9,015	(5,963)	14,045				14,045
Pepsi Vending Machine	16,300	5,123	7,338	(6,500)	7,585				7,585
Teachers Vend/Pop	7,126	12,343	14,234	(126)	5,109				5,109
Teachers Vending/Sn	0	2,479	1,412		1,067				1,067
Jukebox	0	52		(52)	0				0
Yearbook	4,743	4,242	2,466		6,519				6,519
4-H Club	106				106				106
Parking Tags	419	160		(579)	0				0
Graphics Account	286		186		100				100
Cedar	195	272	467		0				0
Gym Upgrades	1,193			(1,193)	0				0
FMD Unit	63				63				63
Band	959	4,794	3,980		1,773		828		945
General Sports Fund	5,864	650	5,547	3,974	4,941	692			5,633
JH Activities	4,140	975	2,713		2,402				2,402
Spelling Team	539				539				539
Uniform	2,000	4,018		(2,804)	3,214				3,214
Beta Club	769	877	1,524		122				122
Con JH Boys Basketball	0	3,407	1,142	(2,265)	0				0
Con JH Girls Basketball	0	2,291	25	(2,266)	0				0
Con Varsity Basketball	0	6,067	3,728	(2,339)	0				0
Softball Concessin	0	1,233	498	(735)	0				0

PIKE COUNTY BOARD OF EDUCATION  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS  
 PHELPS HIGH SCHOOL

For The Year Ended June 30, 2015

	Cash Balances		Receipts	Disbursements	Transfers	Cash Balances Ending	Accounts Receivable		Accounts Payable Ending	Due To Student Groups Ending
	Beginning	Ending					Ending	Ending		
Football Concession	0	1,411	1,281	(130)	0	0	0	0	0	
Volleyball Concession	0	2,049	532	(1,517)	0	0	0	0	0	
JH Volleyball Concession	0	1,587	501	(1,086)	0	0	0	0	0	
Wrestling Concession	0	633		(633)	0	0	0	0	0	
Spanish Club	0	40		(40)	0	0	0	0	0	
DAF Instruction	0		9,627	9,627	0	0	0	0	0	
DAF Athletics	0		3,693	3,693	0	0	0	0	0	
DAF Library	0		525	525	0	0	0	0	0	
DAF Building/Grounds	0		5,827	5,827	0	0	0	0	0	
<b>Totals</b>	<b>\$119,518</b>	<b>\$191,333</b>	<b>\$210,362</b>	<b>\$0</b>	<b>\$100,489</b>	<b>\$5,321</b>	<b>\$2,691</b>	<b>\$103,119</b>		

PIKE COUNTY BOARD OF EDUCATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS  
PIKE COUNTY CENTRAL HIGH SCHOOL  
For The Year Ended June 30, 2015

	Cash Balances		Receipts	Disbursements	Transfers	Cash Balances Ending	Accounts Receivable		Due To Student Groups Ending
	Beginning	Ending					Ending	Payable Ending	
School	\$20,011	\$4,344	\$4,283	(\$14,063)		\$6,009	\$0	\$350	\$5,659
Locker Rental	552			(552)		0			0
Parking Permits	615	1,350	267	(1,698)		0			0
Student Fees	0	11,625	8,576	(3,049)		0			0
Textbook Rental	2,671		1,194	(1,477)		0			0
Memorial	226					226			226
Attendance	100					100			100
AP Classes	2,154	3,330	3,917			1,567			1,567
Hall of Fame	1,541		1,330	1,748		1,959			1,959
School Pictures	292			(292)		0			0
Concession	3			(3)		0			0
Staff Vending	1,265	5,182	4,524			1,923	33		1,956
Athletic	9,130	35,334	40,444	(1,682)		2,338			2,338
Boys Varsity Cheerleader	0	10,198	10,213	1,241		1,226			1,226
Baseball	0	8,568	9,612	1,085		41			41
Baseball Concession	0	1,085		(1,085)		0			0
Boys Basketball	0	15,265	18,165	2,900		0			0
Boys BB Concession	0	2,133		(2,133)		0			0
Football	406	39,234	25,584	(10,772)		3,284		1,363	1,921
Football Concession	0	3,574	623	(2,951)		0			0
Girls Basketball	269	16,831	9,874	(7,226)		0			0
Girls BB Concession	0	2,284	1,851	(433)		0			0
Softball	1,978	7,848	11,946	2,120		0			0
Softball Concession	0	660	200	(460)		0			0
Volleyball	1,365	7,409	8,657	2,739		2,856			2,856

PIKE COUNTY BOARD OF EDUCATION  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS  
 PIKE COUNTY CENTRAL HIGH SCHOOL

For The Year Ended June 30, 2015

	Cash Balances		Receipts	Disbursements	Transfers	Cash Balances Ending	Accounts Receivable		Due To Student Groups Ending
	Beginning	Ending					Ending	Payable Ending	
Volleyball Concession	0	3,186	397	(2,789)	0	0	0	0	
Wrestling	0	3,164	4,406	1,242	0	0	0	0	
Boys Track	0	915	915	0	0	0	0	0	
Girls Track	0	869	2,063	1,194	0	0	0	0	
Golf	0	904	904	904	0	0	0	0	
Tennis	1,201	550	226	(657)	1,525	1,525	0	1,525	
Beta Club	657	2,242	3,115	580	171	171	171	171	
Academic	464	10	167	334	496	496	496	496	
FBLA	653	792	792	0	168	168	168	168	
Culinary Skills	502	0	0	0	5,517	5,517	5,517	5,517	
Entrepreneurship	6,309	0	0	0	839	839	839	839	
FCCLA	839	275	275	0	660	660	660	660	
Pep Club	660	5,510	6,206	0	507	507	507	507	
Project Prom	1,203	11,947	9,607	(1,648)	692	692	452	1,144	
Student Activities	0	0	0	0	87	87	87	87	
Science	87	(28)	(28)	0	212	212	212	212	
Student Council	184	0	0	0	18	18	18	18	
Spanish Club	18	0	0	0	0	0	0	0	
FCA	38	0	0	(38)	533	533	533	533	
FEA	533	2,340	877	0	2,001	2,001	2,001	2,001	
NHS	538	8,480	9,014	500	166	166	166	166	
Art	200	15,195	16,457	0	2,870	2,870	2,870	2,870	
Prom	4,132	7,032	7,021	0	11	11	11	11	
Class 2015	0	31,891	37,081	1,420	1,918	1,918	517	1,401	
Band	5,688	0	0	0	0	0	0	0	

PIKE COUNTY BOARD OF EDUCATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS  
PIKE COUNTY CENTRAL HIGH SCHOOL

For The Year Ended June 30, 2015

	Cash Balances		Receipts	Disbursements	Transfers	Cash Balances Ending	Accounts Receivable		Accounts Payable Ending	Due To Student Groups Ending
	Beginning	0					Ending	Ending		
National Honor Society	0	0				0				0
Band Concession	0	551	273			278				278
Chorus	1,189	8,792	9,670	500		811		323		488
Color Guard	0	569	486			83				83
JR ROTC	1,059	2,239	1,013	(511)		1,774				1,774
HOSA	78	1,246	880			444				444
Medicad Nurse Aide	99	2,436	2,552	40		23				23
Journalism	59					59				59
Yearbook	2,795	3,417	3,914			2,298				2,298
Speech	378	760	772	500		866				866
Library	32	3,031	2,224	36		875				875
Young Republicans	294					294				294
Y-Club	106			(106)		0				0
HVPA	568					568				568
Drivers Education	31			(31)		0				0
Explorers	192	150	72			270				270
History Club	1,096	5,193	5,058			1,231				1,231
Key Club	277	168	418			27				27
National History Day	2,342	80	1,221			1,201				1,201
Childern Inc	1,332	2,939	1,673	(76)		2,522		178		2,344
DAF Instruction	0		6,059			0				0
DAF Athletics	0		23,091			0				0
Daf Building/Ground	0		5,833			0				0
Totals	\$78,411	\$301,431	\$326,298	\$0		\$53,544	\$485	\$2,731		\$51,298

PIKE COUNTY BOARD OF EDUCATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS  
SHELBY VALLEY HIGH SCHOOL  
For The Year Ended June 30, 2015

	Cash Balances		Receipts	Disbursements	Transfers	Cash Balances		Accounts Payable		Due To
	Beginning	Ending				Ending	Ending	Receivable	Ending	
	\$0	\$0	\$0	\$821	\$821	\$0	\$0	\$0	\$0	\$0
DAF Athletics	0	0	0	2,023	2,023	0	0	0	0	0
Daf Library	0	0	0	419	419	0	0	0	0	0
DAF Building/Ground	385	9,822	9,822	10,755	933	385	159	544	544	544
Academic Team	4,550	20,007	20,007	23,057	1,103	2603	2603	2,603	2,603	2,603
Band Boosters	10,416	32,306	32,306	4,323	(32,851)	5,548	5,548	5,548	5,548	5,548
Athletics	0	50	50	1,033	1,000	17	25	42	42	42
Band	170	0	0	3,715	3,665	170	0	170	170	170
Blue Crew Account	0	50	50	3,728	0	0	0	0	0	0
Baseball	2,382	2,200	2,200	17,968	11,631	854	854	854	854	854
Baseball Boosters	0	6,337	6,337	0	0	0	0	0	0	0
Basketball-Boys	3	0	0	8,855	(3)	0	0	0	0	0
Boys B-Ball Boosters	0	250	250	7,847	8,605	0	0	0	0	0
Basketball-Girls	242	7,745	7,745	2,418	(140)	0	0	0	0	0
Girls B-Ball Boosters	767	2,275	2,275	17,658	16	640	640	640	640	640
Beta Club	1,259	18,348	18,348	2,840	3,433	5,382	5,382	5,382	5,382	5,382
Cheerleading	316	3,519	3,519	4,155	960	1,955	1,955	1,955	1,955	1,955
Choir	10,599	833	833	6,245	(790)	6,487	6,487	6,487	6,487	6,487
Cats	0	7,055	7,055	16,277	(810)	0	0	0	0	0
Childern Inc	17,198	32,194	32,194	7,140	(10,418)	22,697	22,697	22,697	22,697	22,697
Concessions/School	10,812	19,507	19,507	1,934	(10,812)	12,367	12,367	12,367	12,367	12,367
Game Concessions	2,215	0	0	508	1,000	1,281	1,281	1,281	1,281	1,281
Cross Country	0	52	52	14,358	647	544	544	544	544	544
Culinary Skills	0	14,501	14,501	65	(5)	790	790	790	790	790
Dance Team	0	120	120	11,100	(6,092)	50	50	50	50	50
Dual Credit Class	510	16,682	16,682	260	0	0	0	0	0	0
District Tournament	187	73	73	696	(75)	0	0	0	0	0
Youth Service Center	163	1,848	1,848	0	0	1,240	1,240	1,240	1,240	1,240
FBLA										

PIKE COUNTY BOARD OF EDUCATION  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS  
 SHELBY VALLEY HIGH SCHOOL  
 For The Year Ended June 30, 2015

	Cash Balances		Receipts	Disbursements	Transfers	Cash Balances	Accounts	Accounts	Due To
	Beginning	166	4,133	4,129	460	Ending	Receivable	Payable	Student Groups
							Ending	Ending	Ending
FCCA	84					84			730
All A Volleyball Tour	818				(818)	0			84
Film/Video Class	544				500	1,044			0
Quarterback Club	127				(127)	0			1,044
Football	0	15,495		25,986	10,491	0			0
SV Middle F-Ball Boos	5,372	12,155		13,711	60	3,876			3,876
Freshman Class	439	1,186		427	(763)	435			435
Library	0	2,065		18	(2,023)	24			24
Locker Rental Fees	2,569	2,050		10	5	4,614			4,614
General	10,168	6,828		10,154	(16)	6,826			6,826
Golf	0	43		2,187	2,144	0			0
Help Desk	1,033					1,033			1,033
JROTC	2,572	8,803		10,121	700	1,954			1,954
Yearbook	17,845	7,945		14,566		11,224			11,224
Teachers Lounge	1,440	4,852		4,808	(205)	1,279			1,279
Junior Class	5,510	20,896		19,560	(5,317)	1,529			1,529
National Honor Society	3,327	4,349		4,589		3,087			3,087
Parking Permits	0	1,355			(239)	1,116			1,116
Picture Orders	0	5,687		3,308		2,379			2,379
Project Prom	0	5,526		5,854	2,428	2,100			2,100
Principal's Advisory	1,000					1,000			1,000
Science Fair	285	100		70		315			315
Senior Class	0	72,088		77,812	5,724	0			0
Soccer-Boys	2,232	1,140		3,577	750	545			545
Soccer-Girls	2,220	1,476		3,984	750	462			462
SV Youth Soccer Lea	0	3,811		2,445		1,366			1,366
Softball	0	50		4,465	4,415	0			0

PIKE COUNTY BOARD OF EDUCATION  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS  
 SHELBY VALLEY HIGH SCHOOL  
 For The Year Ended June 30, 2015

	Cash Balances		Receipts	Disbursements	Transfers	Cash Balances	Accounts	Accounts	Due To
	Beginning	Ending				Ending	Receivable	Payable	Student Groups
							Ending	Ending	Ending
Sophomore Class	335		9,506	5,943	(1)	3,897			3,897
Softball Boosters	3,451		5,836	7,175		2,112			2,112
Textbook Rental Fee	7,644		7,272	70		14,846			14,846
Track	432		16	864	1,500	1,084			1,084
Weightroom	92					92			92
Wildcat Den	628		1,243	896	1,188	2,163			2,163
Volleyball	149		3,871	5,305	2,549	1,264			1,264
Vending Machines	8,257		9,367	18,209	585	0			0
SV Middle Baseball B	641		1,546	1,538		649			649
SV Middle Softball B	1,696		2,357	3,058		995			995
Totals	\$143,250		\$418,821	\$425,037	\$0	\$137,034	\$284	\$0	\$137,318

PIKE COUNTY SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For The Year Ended June 30, 2015

Federal Grantor/Passed-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass Through Grantor's Number	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>			
Passed through Kentucky Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	7750002 14	\$698,555
National School Lunch Program	10.555	7750002 15	2,426,037
School Breakfast Program	10.553	7760005 14	452,932
School Breakfast Program	10.553	7760005 15	1,189,015
Summer Food Service Program for Children	10.559	7690024 14	1,252
Summer Food Service Program for Children	10.559	7740023 14	12,117
Commodities	10.555	510 4950	<u>361,501</u>
Total Child Nutrition Cluster			5,141,409
Fresh Fruit and Vegetable Program	10.582	7720012 14	<u>4,941</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<b>5,146,350</b>
<b><u>U.S. Department of Education</u></b>			
Passed through Kentucky Department of Education			
Improving America's School Act of 1994			
Title I, Part A Cluster			
Title I Grants to Local Educational Agencies	84.010	3100002 13	960,828
Title I Grants to Local Educational Agencies	84.010	3100002 14	1,898,130
School Improvement Part A - Recovery Staff	84.010	3100202 14	<u>115,371</u>
		subtotal	2,974,329
Special Education Cluster (IDEA)			
Special Education-Grants to States (IDEA, Part B)	84.027	3810002 13	580,311
Special Education-Grants to States (IDEA, Part B)	84.027	3810002 12	421
Special Education-Grants to States (IDEA, Part B)	84.027	3810002 14	978,547
Special Education-Preschool Grants (IDEA, Preschool)	84.173	3800002 14	<u>56,466</u>
		subtotal	1,615,745
Rural Education	84.358	3140002 14	129,238
Rural Education	84.358	3140002 13	<u>51,799</u>
		subtotal	181,037
Race to the Top	84.413A	3960002 11	29,713
Race To The Top - District Grants	84.416A	436A	308,075

The accompanying notes are an integral part of this schedule

PIKE COUNTY SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For The Year Ended June 30, 2015

Federal Grantor/Passed-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass Through Grantor's Number	Federal Expenditures
<u>U.S. Department of Education</u>			
Passed through Kentucky Department of Education			
Career and Technical Education - Basic Grants To States	84.048	3710002 14	80,494
Career and Technical Education - Basic Grants To States	84.048	3710002 13	<u>9,304</u>
		subtotal	89,798
Improving Teacher Quality State Grants	84.367	3230002 14	680,377
Improving Teacher Quality State Grants	84.367	3230002 13	<u>15,881</u>
		subtotal	696,258
Passed through Workforce Cabinet			
Adult Education - Recruitment, Retention and Results	84.002	365A	53,062
Adult Education - Basic	84.002	373A	<u>133,144</u>
		subtotal	186,206
Pass Through Department of Juvenile Justice			
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	313A	28,248
Education for Homeless Children and Youth	84.196	3990002 13	18,449
Education for Homeless Children and Youth	84.196	3990002 14	<u>44,260</u>
		Subtotal	62,709
Passed Through Morehead State University			
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP)	84.334A	3794A	134,700
TOTAL U.S. DEPARTMENT OF EDUCATION			6,306,818
<u>Department of Defense</u>			
Federal Direct			
NJROTC-NAVY	12.000	5044	23,579
NJROTC-NAVY	12.000	504A	<u>275,611</u>
TOTAL DEPARTMENT OF DEFENSE			299,190
<b>U.S. Health and Human Services</b>			
Pass Through Big Sandy Valley Community Action Program			
Head Start	93.600	6554	657,443
Head Start	93.600	655A	<u>1,481,527</u>
TOTAL U.S. HEALTH AND HUMAN SERVICES			2,138,970
<b>U.S Department of Commerce</b>			
Passed Through The Center for Rural Development			
PRIDE - Environmental Education	11.420	270A	745
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$13,892,073

The accompanying notes are an integral part of this schedule

PIKE COUNTY SCHOOL DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended June 30, 2015

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Pike County School District (the "District") under 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 and Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement. 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 3 – Food Distribution

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities disbursed, totaling \$361,501.

PIKE COUNTY SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 For The Year Ended June 30, 2015

	2015
District's proportion of the net pension liability (asset)	
KTRS	\$0
CERS	\$20,234,000
Total	
District's proportionate share of the net pension liability (asset)	
KTRS	0
CERS	0.623668%
State's proportionate share of the net pension liability (asset) associated with the District	
KTRS	\$260,475,099
District's covered employee payroll	
KTRS	\$39,104,554
CERS	\$14,091,228
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	
KTRS	0
CERS	1.44%

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

PIKE COUNTY SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT PENSION CONTRIBUTIONS  
 For The Year Ended June 30, 2015

	2015	2014	2013
Contractually required contributions			
KTRS	\$745,744	\$523,154	\$973,024
CERS	\$2,497,359	\$2,748,507	\$2,754,243
Total			
Contributions in relation to the contractually required contribution			
KTRS	\$745,744	\$523,154	\$973,024
CERS	\$2,497,359	\$2,748,507	\$2,754,243
Total			
Contribution deficiency (excess)			
KTRS	\$0	\$0	\$0
CERS	\$0	\$0	\$0
Total			
District's covered employee payroll			
KTRS	\$39,104,554	\$39,702,320	\$39,153,394
CERS	\$14,091,228	\$17,855,475	\$16,745,704
Total			
Contributions as a percentage of covered employee payroll			
KTRS	1.90%	1.32%	2.49%
CERS	17.72%	15.39%	16.45%

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

PIKE COUNTY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
For The Year Ended June 30, 2015

Changes of benefit terms

KTRS - none

CERS - none

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 KTRS Board adopted an interest smoothing methodology to calculate liabilities for purposes of determining the actuarially determined contributions.

CERS - none

**DENISE M. KEENE  
CERTIFIED PUBLIC ACCOUNTANT  
P.O. BOX 1444  
GEORGETOWN, KENTUCKY 40324  
502-857-2579**

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

(for a Governmental Entity)

(No Material Weaknesses Identified, No Significant Deficiencies Identified,  
No Reportable Instances of Noncompliance, or Other Matters Identified)

Independent Auditor's Report

State Committee For School District Audits  
Members of the Board of Education  
Pike County School District  
Pikeville, Kentucky

We have audited, 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, the provisions of Office of Management and Budget Circular A-133, Audits of States and Local Governments, and Non-profit Organizations, and the audit requirement prescribed by the Kentucky Committee for School District Audits, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Pike County Board of Education as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated August 31, 2015.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free 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*.

### **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.

I noted certain matters that I reported to management of the District in a separate letter dated August 31, 2015.

*Denise M. Keene*

Denise M. Keene, CPA  
Georgetown, Kentucky  
August 31, 2015

**DENISE M. KEENE  
CERTIFIED PUBLIC ACCOUNTANT  
P.O. BOX 1444  
GEORGETOWN, KENTUCKY 40324  
502-857-2579**

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133 (Unmodified Opinion on Compliance for each Major Program; No Material Weaknesses or Significant Deficiencies in Internal Control Over Compliance Identified)

**INDEPENDENT AUDITOR'S REPORT**

State Committee For School District Audits  
Members of the Board of Education  
Pike County School District  
Pikeville, Kentucky

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

We have audited Pike County School District's (the "District") compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. The 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 the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

## **Opinion on Each Major Federal Program**

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

## **Report on Internal Control Over Compliance**

Management of the Pike 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 program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

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

We have audited the financial statements of Pike County School District as of and for the year ended June 30, 2015, and have issued our report thereon dated August 31, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Denise M. Keene*

Denise M. Keene, CPA  
Georgetown, Kentucky  
August 31, 2015

PIKE COUNTY SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 For The Year Ended June 30, 2015

Section I – Summary of Auditor’s Results

**Financial Statements**

An unmodified opinion was issued on the financial statements.

Internal control over financial reporting

Material weakness(es) identified?  yes  no

Significant deficiency(s) identified that are not considered to be material weakness(es)?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?  yes  no

Significant deficiency(s) identified that are not Considered to be material weakness(es)?  yes  none reported

An unmodified opinion was issued on compliance for all major programs.

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

Identification of major programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.600	Head Start
84.367	Improving Teacher Quality State Grants
12.000	NJROTC – Navy
84.416A	Race To The Top – District Grants
84.334A	Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP)

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?  yes  no

Section II – Financial Statement Findings

None

PIKE COUNTY SCHOOL DISTRICT  
SCHEDULE FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2015

Section III – Federal Award Findings and Questioned Costs

None

PIKE COUNTY SCHOOL DISTRICT  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
For The Year Ended June 30, 2015

**PRIOR YEAR – FINANCIAL STATEMENT FINDINGS**

None were reported last year

**PRIOR YEAR – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None were reported last year

MANAGEMENT LETTER

**DENISE M. KEENE  
CERTIFIED PUBLIC ACCOUNTANT  
P.O. BOX 1444  
GEORGETOWN, KENTUCKY 40324  
502-857-2579**

Pike County Board of Education  
Pikeville, Kentucky

We have audited the financial statements of the Pike County School District for the year ended June 30, 2015 and have issued our report thereon dated August 31, 2015. As part of our audit, we made a study and evaluation of the District's system of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the District's financial statements. Our study and evaluation was more limited than would be necessary for expressing an opinion on the system of internal accounting control taken as a whole.

The management of the Pike County School District is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors, or irregularities may nevertheless occur and not be detected. Also, projections of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system of internal accounting control. Accordingly, we do not express an opinion on the system of internal accounting control of the Pike County School District taken as a whole. Our study and evaluation disclosed no condition that we believe to be a material weakness.

All of last year's management points were corrected except for the finding for Elkhorn City Elementary.

*Denise M. Keene*  
August 31, 2015

## **CENTRAL OFFICE MANAGEMENT POINTS**

2015-001

Reimbursements to the Superintendent are approved by the Assistant Superintendent. Since the Assistant Superintendent is supervised by the Superintendent, I recommend that all reimbursements to the Superintendent be approved by a board member.

Management's Response:

Reimbursements to the Superintendent will be approved by line item on the consent agenda and the invoices will be signed by the Chairman.

2015-002

Testing of disbursements disclosed several items relating to purchasing that require attention. Testing disclosed that the amount on the invoice sometimes exceeds the amount approved by the purchase order. I recognize the district allows a 10% variance, however some of the differences were greater than 10%. Testing also disclosed that items not approved on the purchase order were part of the invoice. Testing disclosed that food service does not put MUNIS codes on the purchase order, codes should be put on every purchase order to determine if that line item has enough remaining in the budget before it is approved. Testing also disclosed a few invoices with dates prior to the purchase order. I recommend someone from accounts payable reconcile purchase orders with invoices prior to payment. That person should look at the amount approved, items approved, MUNIS codes, and dates approved.

Management's Response:

Finance looks at purchase order variances and the reason for the variances. Finance continually trains schools and departments on the procedures for utilizing purchase orders and the need to approve purchase orders ahead of time, accurately list the items on the purchase orders and the need to "reapprove" a purchase order if the items/prices change. The Director of Finance will discuss this finding and proper procedures with all Departments and Schools via e-mail and face-to-face trainings. Continued violations will result in a report being issued to the Superintendent and the Board.

Food Service is required to enter a code in MUNIS before a purchase order can be printed. Finance will review why this is not being printed on the purchase orders.

2015-003

The standard invoice form does not have a date the vendor signed or a date the person approving signed the form. The form used by the contract drivers for payment does not have a place for dates of the signatures. I recommend all forms have the date signed added to the form.

Management's Response:

The Director of Finance revised the F-75 Standard Invoice to include a date. The revised form is dated July 1, 2015 and has been distributed via e-mail to all employees and departments.

2015-004

The District is self-insured for most of its insurance needs with a policy for excess coverage. KDE publishes the minimum amount per square foot required for elementary, middle, high and vocational schools. The value the District used for its 2014-2015 insurance coverage for several schools did not meet this minimum required amount as outlined by KRS160.105 and 702 KAR3:030.

Management's Response:

The District will review coverage to ensure that all coverages are adequate and meet KDE's guidelines.

## **CENTRAL OFFICE MANAGEMENT POINTS (continued)**

2015-005

The Family Resource Youth Service Center (FRYSC) needs to establish procedures to document the distribution of items purchased for families through their program. One expenditure tested included a receipt for auto accessories, home access or décor, locks fasteners, giftware, gadgets/cutlery and more. There was no documentation on who received these items. Procedures should be developed to set guidelines on what can be purchased. Procedures should also be developed to document the distribution of items purchased.

Management's Response:

The FRYSC program shall establish guidelines and procedures for the purchase and distribution of items purchased. Receipts will be reviewed by a FRYSC supervisor/designee to determine if further explanation of items purchased is necessary. FRYSC Directors will be required to keep a list of items bought and then distributed to families in need.

2015-006

Payroll testing disclosed that Form I-9s are not always completed properly. Two (2) out of six(6) tested were not signed at the bottom by a representative of the employer. One did not mark any of the documents needed for verification, the other only marked one document from list B, none from list C. I recommend Form I-9s be completed before an employee is allowed to work.

Management's Response:

The Director of Finance will review this finding with the Finance Clerk that is responsible for the completion of I-9s. The Director of Finance will clearly indicate the necessity of the proper completion of the form and the verification process. The Director of Finance, or designee, will do periodic review of these forms for compliance.

2015-007

The District does not print the Quarterly CDIP reports and does not keep the transmittal confirmation. Therefore, I could not determine if reports were filed on time. I recommend the District keep a copy of the report filed and the confirmation transmittal.

Management's Response:

No prior auditor had requested this information, so the Director of Finance would destroy the CDIP after receiving e-mail confirmation stating that the CDIP had been received. In the future, the Director of Finance will keep the CDIP and the confirmation e-mail. No e-mail notifications of failure to comply with CDIP deadlines have been received by the Director of Finance.

2015-008

The District has the MUNIS Work Order Inventory Module. The Maintenance Department is not currently using the module. I recommend the maintenance department start using the work order inventory module.

Management's Response:

Finance purchased and provided training to Maintenance for the Work Order/Inventory Module. Finance will continue to work with Maintenance to encourage them to use the module. The Superintendent will be kept updated on their progress via reports from the Maintenance Warehouse, Finance and Technology. The Superintendent, or his designee, will be responsible for the supervision of the implementation and use of the MUNIS Work Order/Inventory Module.

## **CENTRAL OFFICE MANAGEMENT POINTS (continued)**

2015-009

Currently individuals who process payroll are also able to add new employees and terminate employees. Adding and retiring employees should not be done by an individual who also processes payroll. I recommend that new and terminated employees be added and inactivated by someone in the personnel department.

Management's Response:

Finance Director will reorganize responsibilities within Finance/Payroll so that Payroll Clerks are not adding or terminating new employees UNTIL the Superintendent reorganizes and assigns the responsibility to Personnel.

2015-010

Currently individuals who process vendor checks are also able to add new vendors. I recommend someone who does not process vendor checks add and delete vendors as needed.

Management's Response:

Due to retirements, illness and a hiring freeze, Accounts Payable has no employees and vendor check paying has been "farmed out" to various individuals. Four individuals may enter a new vendor. One of these individuals is presently helping with Accounts Payable invoice entry. The Director of Finance will remove her authority to add vendors. Once the Accounts Payable Department is at full staff, the Director of Finance will ensure that the individuals entering invoices are not allowed to add new vendors.

2015-011

Testing of contracts with billings disclosed the forensic auditor bill both the partner and manager at the same rate. The contract had two different rates. This resulted in charges in excess of the contract. Testing also disclosed on Food Service vendor overcharged food service for some items. Someone needs to compare prices charged the District with bid/contract prices so that the District is not paying amounts in excess of agreed upon prices.

Management's Response:

The Forensic Auditor was questioned about the overbilling for time, and other billing issues, by the Superintendent at a public board meeting. Since that meeting, the Forensic Auditor has given the district a credit for the amount of the overbilling.

School Food Service strives to ensure that all invoices are accurately paid and accurately reflect the correct bid price. The Food Service Director will work with her staff to ensure that procedures are in place to catch overbilling. In addition, the District belongs to HPS, who periodically reviews invoices to bid price for vendors on their list to ensure that accurate pricing is reflected. The Food Service Director will review the invoices in question on this audit and will request restitution for any overpayment.

## **BELFRY HIGH SCHOOL**

2015-012

Teachers are not turning money into the School Treasurer timely. Testing disclosed money was being held by teachers and not turned in daily as required by the Red Book. I recommend the Principal remind all staff to turn in money daily.

### **Management's Response:**

On opening day for the school year 2015-2016, all staff members were briefed on the finding of this audit. Teachers were reminded it was against policy to hold money and that they needed to submit money on a daily basis. Teachers were informed that the finance clerk would be monitoring this more closely.

2015-013

According to the Red Book, "amounts may be transferred between activity accounts only by proper completion of a Transfer Form. The sponsor of the remitting (paying) activity account and the principal shall sign the Transfer Form." Six (6) out of twenty-nine (29) forms did not have a sponsor signature, but should have. I recommend sponsor signatures be obtained before money is transferred when required.

### **Management's Response:**

The transfers occurred in late June when sponsors/coaches were out of the building. They were contacted prior to transferring the funds and we just failed to acquire signatures from sponsors/coaches.

2015-014

Ticket Sale Forms are not being completed correctly. The Ticket Taker did not sign two (2) of four (4) forms tested. The signature line was cut off when the form had been copied. The section of the form at the bottom for checks, currency, coin and total was not completed on any of the forms tested. The section with Total Sales, Change Returned, Cash Over/Short, and Total Cash was not completed on three (3) of the four (4) tested. The school treasurer should check the ticket sale form for completion before accepting it.

### **Management's Response:**

Due to multiple staff members working games and completing the forms, some of this was overlooked on our end. Our new finance clerk has been trained on how to monitor this.

## **EAST RIDGE HIGH SCHOOL**

2015-015

There were ten (10) checks written in August 2014 to Walmart for \$47.00 each. None of the checks cleared for \$47.00. Two (2) checks cleared for more than \$47.00, the other eight (8) checks cleared for less than \$47.00. Whomever takes the check to Walmart needs to make sure it is cleared for the correct amount.

Management's Response:

The auditor said she would talk to Nancy about this and have her talk with Walmart to get them to process the check for the amount of the check only. If the amount is less than the check, Walmart is to return the change so it can be receipted back in the account. However, the person who is using the check cannot go over the amount of the check. If he or she does, they will pay the difference, then the school will reimburse them. The only person who purchases from Walmart is the Family Resource.

2015-016

Teachers are not turning money into the School Treasurer timely. Testing disclosed money was being held by teachers and not turned in daily as required by the Red Book. I recommend the Principal remind all staff to turn in money daily.

Management's Response:

The faculty and staff were reminded in the Professional Development meeting by Mr. Justice and given a handout with the finance guidelines on it. This was one of the items on the handout (money is to be turned in daily).

2015-017

The Diamond Club did not turn in all required documentation during the year. I recommend the Principal monitor booster clubs to make sure they comply with all Red Book requirements.

Management's Response:

This had already been addressed before the auditor came to the School. The booster club now has an account in the school.

2015-018

According to the Red Book, Individual Activity Account Budget Worksheets are due to the principal by April 15. The Principal's Combining Budget and the Individual Activity Account Budget Worksheets are due to the district finance officer by May 15. These were not done for the 2014-2015 fiscal year.

Management's Response:

The Finance Deadlines will be monitored more closely and a budget will be done.

## **PHELPS HIGH SCHOOL**

2015-019

According to the Red Book, "The purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated." Two (2) out of nineteen (19) expenditures tested had purchase order dates after the invoice date. The principal should remind all staff that purchase orders must be approved prior to obligating the school.

Management's Response:

I have reminded all staff to always follow the Red Book guidelines when making a purchase that obligates the school for any kind of payment. My financial secretary has also reviewed the Red book "purchase order approval guidelines" with our staff.

2015-020

Teachers are not turning money into the School Treasurer timely. Testing disclosed money was being held by teachers and not turned in daily as required by the Red Book. I recommend the Principal remind all staff to turn in money daily.

Management's Response:

The staff has been reminded on how important it is to turn all money into our School Treasurer daily.

2015-021

The Varsity Basketball Fund had a pretzel fundraiser that lost money during the year. The fundraiser lost actual money of \$892.50. It could have made a profit of \$1171.50 if all of the pretzels had been sold. Fundraisers need to be monitored so that a loss does not occur. The Principal needs to monitor fundraisers.

Management's Response:

I have spoke with my staff/coaches about how important it is for them to choose profitable fundraisers. I will also continue to monitor fundraisers closely.

## **PIKE CENTRAL HIGH SCHOOL**

2015-022

According to the Red Book, "The purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated." Six (6) out of twenty-one (21) expenditures tested had purchase order dates after the invoice date. The principal should remind all staff that purchase orders must be approved prior to obligating the school.

Management's Response:

We had five new coaches and they did not follow protocol. We did Red Book training last year but they did not follow procedures. This year we did Redbook training and also made each teacher/coach sign a contract. We will do a better monitoring.

2015-023

According to the Red Book, "Students third grade and above must sign the Multiple Receipt Form." Testing disclosed that some teachers were not having their students sign the Multiple Receipt Form. The Principal should remind teachers/sponsors who are receiving money to have the students sign the Multiple Receipt Form.

Management's Response:

Teachers turned in Multiple Receipts forms without having students sign. We emphasized this in our training this year. Also we are checking receipt forms as soon as they come in for accuracy

2015-024

According to the Red Book, "amounts may be transferred between activity accounts only by proper completion of a Transfer Form. The sponsor of the remitting (paying) activity account and the principal shall sign the Transfer Form." Four (4) out of forty-eight (48) forms did not have a sponsor signature, but should have. There were two (2) transfer forms with multiple accounts listed. Each should have their own form so that the sponsor can approve. I recommend sponsor signatures be obtained before money is transferred when required.

Management's Response:

We will now follow the procedure that if we have no sponsors for that account we will write NO SPONSOR on the transfer form. No one will sign off on these forms. The other correction will be that we will no longer multiple accounts on one form. Each will be done separately.

2015-025

Ticket Sale Forms are not being completed correctly. Seventy nine (79) of seventy nine (79) forms tested did not have the amount of start up money recorded. Seventy four (74) out of seventy nine (79) was not signed by the person receiving the start up money. Sixty five (65) of the seventy nine (79) forms tested had the same person as the seller and the ticket taker. One (1) of seventy nine (79) did not have the signature of the ticket taker. The school treasurer should check the form for completion before accepting the form.

Management's Response:

We will now list start-up money with signatures on top of form. We also will make sure we have two people working each game. One for ticket sales and one for ticket takers.

## **SHELBY VALLEY HIGH SCHOOL**

2015-026

According to the Red Book, "The purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated." Two (2) out of seventeen (17) expenditures tested did not have the sponsor approval. The principal should remind all staff that purchase orders must be approved by the sponsor prior to obligating the school.

Management's Response:

The principal conducted professional learning training regarding correct completion of a Multiple Receipt Form during August 11, 2015. Teachers, sponsors, and coaches were instructed to have all purchase orders approved by the sponsor prior to obligating the school to any purchase.

2015-027

According to the Red Book, "Students third grade and above must sign the Multiple Receipt Form." Testing disclosed that some teachers were not having their students sign the Multiple Receipt Form. The Principal should remind teachers/sponsors who are receiving money to have the students sign the Multiple Receipt Form.

Management's Response:

The principal conducted professional learning training regarding correct completion of a Multiple Receipt Form during August 11, 2015. Teachers and sponsors were instructed to have students sign the MRF as money is collected.

2015-028

Teachers are not turning money into the School Treasurer timely. Testing disclosed money was being held by teachers and not turned in daily as required by the Red Book. I recommend the Principal remind all staff to turn in money daily.

Management's Response:

The principal conducted professional learning training regarding correct completion of a Multiple Receipt Form during August 11, 2015. Teachers and sponsors were instructed to turn in collected money on a daily basis.

2015-029

According to the Red Book, the principal shall not be a vendor on a purchase order. One check was written to the principal during the year. The school treasurer should not issue any checks to the principal. The Principal should not approve a purchase order to himself.

Management's Response:

This check was written to provide snowbound students stranded during a school trip in Frankfort, Kentucky with food. Unfortunately, the principal was the only one able to make the drive to deliver the money. This is not common practice, and it will not occur again.

2015-030

One (1) of four (4) ticket sale forms tested was not completed properly. Ending ticket number was not completed, the total number of tickets sold was not completed, and the total Column H was not completed. The school treasurer should review the form before accepting it for compliance.

Management's Response: The school treasurer shall review all forms associated with ticket sells before accepting it as complete. We did review all other ticket forms and discovered no other occurrences.

## **BELFRY MIDDLE SCHOOL**

2015-031

Teachers are not turning money into the School Treasurer timely. Testing disclosed money was being held by teachers and not turned in daily as required by the Red Book. I recommend the Principal remind all staff to turn in money daily.

Management's Response:

Staff was reminded of this & more training was provided on Redbook during Opening Day PD.

2015-032

According to the Red Book, "Students third grade and above must sign the Multiple Receipt Form." Testing disclosed that some teachers were not having their students sign the Multiple Receipt Form. The Principal should remind teachers/sponsors who are receiving money to have the students sign the Multiple Receipt Form.

Management's Response:

This particular was stressed during the training.

2015-033

Ticket Sale Forms are not being completed correctly. The section of the form at the bottom for checks, currency, coin and total was not completed on three (3) of the four (4) forms tested. The school treasurer should check the ticket sale form for completion before accepting it.

Management's Response:

**Treasurer will make sure ticket sale forms are completely filled out before accepting.**

## **FEDS CREEK SCHOOL**

2015-034

Three (3) out of eleven (11) expenditures tested were for non-allowable expenses. They were for instructional supplies, SBDM training, and reimbursement to the Principal. These are expenses that should be paid from the schools District Activity Funds and not from School Activity Funds.

Management's Response:

We now have a much better understanding of how funds are to be used through DAF. Reimbursement was entirely my fault as a principal. Students were needing some supplies for a project and bought them. The sponsors insisted that I be reimbursed and I allowed it. It won't happen again.

2015-035

According to the Red Book, "The principal shall not be the vendor on a purchase order. A check was written to the principal during the year. I recommend no checks be written to the Principal.

Management's Response:

Students were needing some supplies for a project and bought them. The sponsors insisted that I be reimbursed and I allowed it. It won't happen again.

## **FEDS CREEK SCHOOL (continued)**

2015-036

According to the Red Book, "Payments to persons who are independent contractors, not employees, shall be made by school check from the school activity fund bank account with an accompanying invoice or Standard Invoice signed by the payee." Payments to referees did not have a Standard Invoice. I recommend a Standard Invoice be completed whenever a vendor invoice is not available.

Management's Response: This was brought to our attention from an earlier "viewing" of our financial records. We will make sure that this is followed during the 2015-2016 school year.

2015-037

According to the Red Book, all money collected is to be deposited daily. Testing disclosed that deposits in excess of \$100 are not being deposited daily. I recommend that deposits are made daily, unless the amount on hand is less than \$100.00

Management's Response: In the event of a training that I attend, I wasn't always available to make deposits at the end of the day. The monies were double locked in a safe in my office which is also locked.

2015-038

According to the Red Book, "amounts may be transferred between activity accounts only by proper completion of a Transfer Form. The sponsor of the remitting (paying) activity account and the principal shall sign the Transfer Form." Thirteen (13) out of thirty-one (31) forms did not have a sponsor signature, but should have. In addition, nine (9) out of thirty-one (31) forms were not found. I recommend sponsor signatures be obtained before money is transferred when required and transfer forms be completed for all transfers.

Management's Response: In the future, any transaction moving monies between activity accounts will have the necessary paperwork completed and signed by the sponsor and building principal.

2015-039

Ticket Sale Forms are not being completed correctly. None of the forms had the start up money recorded on the form. None of the forms had the signature of the person in charge who received the start up money. None of the forms had the section recording the checks, currency, and coins completed. Some of the forms did not complete the section recording total sales, change returned, cash over/short and total cash. The school treasurer should check the form for completion before accepting the form.

Management's Response: Before the beginning of athletic events for the 2015-2016 school year all personnel involved in ticket sales will be given a "refresher" training as to the proper procedures in selling tickets, proper procedure for accounting for monies, and the correct way to complete all necessary forms.

## **JOHNS CREEK SCHOOL**

2015-040

According to the Red Book, "The purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated." Three (3) out of seventeen (17) expenditures tested had purchase order dates after the invoice date. The principal should remind all staff that purchase orders must be approved prior to obligating the school.

Management's Response:

The principal and financial secretary have communicated to the faculty and staff that no items can be ordered without a purchase order. Time was set aside during the opening day PD, as well as, communications have been sent to the staff after the audit as a reminder.

2015-041

According to the Red Book, "All checks shall contain the signatures of the principal's designee and the school treasurer." There were five (5) checks that did not contain two signatures. The school treasurer should not distribute checks without two signatures.

Management's Response:

The treasurer will make sure that the signatures are on the checks before distribution.

2015-042

According to the Red Book, "Students third grade and above must sign the Multiple Receipt Form." Testing disclosed that some teachers were not having their students sign the Multiple Receipt Form. The Principal should remind teachers/sponsors who are receiving money to have the students sign the Multiple Receipt Form.

Management's Response:

The teacher was instructed that her students had to sign the multiple receipt form. A communication was sent to the staff as a reminder of this practice.

2015-043

According to the Red Book, "amounts may be transferred between activity accounts only by proper completion of a Transfer Form. One (1) out of thirty-one (31) forms had no amount on the form. Two (2) forms had amounts different from the amount on print out. I recommend transfer forms be obtained before money is transferred.

Management's Response:

Transfer forms will be obtained before any transfer takes place.

2015-044

Ticket Sale Forms are not being completed correctly. The start up money was not recorded on the form. The section of the form at the bottom for checks, currency, coin and total was not always completed on the forms. Little League Basketball had only one person selling and taking up tickets. A separate ticket taker should be taking up tickets. The school treasurer should check the ticket sale form for completion before accepting it.

Management's Response:

The school will train the staff on how to correctly the Ticket Sale Form. The financial secretary will make sure as they are turned in that they are filled out correctly.

## **MILLARD SCHOOL**

2015-045

According to the Red Book, "The purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated." No purchase order was prepared for payments to officials. Payments were made from the standard invoice. The principal should remind all staff that purchase orders must be approved prior to obligating the school.

Management's Response:

There were 60 checks written for officials last year. There were three checks written without a P.O. No checks will be written in the future without having a P.O. issued for the purchase first.

2015-046

According to the Red Book, the vendor invoice or standard invoice must be present before the payment process can continue. Two (2) out of sixteen (16) expenditures tested did not have an invoice attached. The principal should remind all staff to turn in vendor invoices.

Management's Response:

During our most current PD we stressed to all employees the importance of returning an invoice for purchases the following business day.

2015-047

According to the Red Book, "Students third grade and above must sign the Multiple Receipt Form." Testing disclosed that some teachers were not having their students sign the Multiple Receipt Form. The Principal should remind teachers/sponsors who are receiving money to have the students sign the Multiple Receipt Form.

Management's Response:

During the most recent PD the guidelines for receiving monies from students was explained to all staff. The importance of having every student from grade 3 and up sign their own name on a multiple receipt when turning in money has been stressed.

2015-048

According to the Red Book, "amounts may be transferred between activity accounts only by proper completion of a Transfer Form. The sponsor of the remitting (paying) activity account and the principal shall sign the Transfer Form." Four (4) out of nineteen (19) forms not signed by anyone. Three (3) out of nineteen (19) forms did not have a sponsor signature, but should have. Could not find two (2) forms. Found one form that had not been recorded. I recommend sponsor signatures be obtained before money is transferred when required.

Management's Response:

The principal will not sign off on any money transfers that do not have the sponsor's signature on them. All transfers are stored in the monthly folder that they were done in. Closer attention to completing the transaction should alleviate the problem of not having a transfer recorded.

2015-049

The Millard PTO did not turn in their officers, budget or annual financial report to the Principal as required by the Red Book. The Principal should monitor the PTO for compliance with the Red Book.

Management's Response:

I have also contacted the PTO about turning the necessary financial information.

## **MULLINS SCHOOL**

2015-050

According to the Red Book, "The purchase order shall be prepared and approved by the sponsor and principal before payment is obligated." Three (3) out of eleven (11) expenditures tested had purchase order dates after invoice date. Two (2) out eleven (11) did not have the sponsor approval. The principal should remind all staff that purchase orders must be approved prior to obligating the school.

Management's Response:

We were unaware the actual sponsor had to sign the purchase order, bookkeeper has always signed it in the past. Reminded all staff purchase orders must be approved and dated prior to invoice.

2015-051

Six (6) out (11) expenditures tested were for nonallowable expenses. They were for administrative supplies, instructional supplies and staff lunches. These are expenses that should be paid from school District Activity Funds and not from School Activity Fun

Management's Response:

Some of the expenditures were for year end items that staff needed asap, if sent for DAF approval it would take almost 2 weeks to get approval back to school.

2015-052

Teachers are not turning money into the School Treasurer timely. Testing disclosed money was being held by teachers and not turned in daily as required by the Red Book. I recommend the Principal remind all staff to turn in money daily.

Management's Response:

Reminded staff they must turn money in daily.

2015-053

According to Red Book, "Students third grade and above must sign the Multiple Receipt Form." Testing disclosed that some teachers were not having their students sign the Multiple Receipt Form. The Principal should remind teachers/sponsors who are receiving money to have students sign the Multiple Receipt Form.

Management's Response:

Reminded teachers to have students sign receipts forms.

2015-054

According to the Red Book, "amounts may be transferred between activity accounts only by proper completion of a Transfer Form. The sponsor of the remitting (paying) activity account and the principal shall sign the Transfer Form." Three (3) out of twenty-nine (29) forms did not have a sponsor signature, but should have. I recommend sponsor signatures be obtained before money is transferred when required.

Management's Response:

Reminded staff/sponsors to sign transfer forms when needed.

## **MULLINS SCHOOL (continued)**

2015-055

According to the Red Book, Individual Activity Account Budget Worksheets are due to the principal by April 15. The Principal's Combining Budget and the Individual Activity Account Budget Worksheets are due to the district finance officer by May 15. These were not done for the 2014-2015 fiscal year.

Management's Response:

We believe reports were completed by previous bookkeeper, was unable to locate.

2015-056

Ticket Sale Forms are not being completed correctly. One (1) of three (3) forms tested did not have the person in charge or the ticket taker sign at the bottom of the form. Two (2) of the three (3) forms tested had same person as the seller and the ticket taker. The Shamrock Dance did not use tickets for admission and did not complete a ticket sale form. According to the Red Book, "pre-numbered tickets shall be used with ALL events for which admission is charged." The Principal should remind staff that tickets need to be used for all events for which admission is charged, and that a second person is needed as a ticket taker. The school treasurer should check the form for completion before accepting the form.

Management's Response:

Made note of the ticket sale forms must have person in charge of sales and ticket taker (can not be same person). Noted to have pre-numbered tickets at all events when admission is charged, advised all staff.

## **VALLEY ELEMENTARY**

2015-057

According to the Red Book, "The purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated." Three (3) out of ten (10) expenditures tested had purchase order dates after the invoice date. The principal should remind all staff that purchase orders must be approved prior to obligating the school.

Management's Response:

All staff were informed on Opening day as to the correct procedures.

2015-058

According to the Red Book, "Students third grade and above must sign the Multiple Receipt Form." Testing disclosed that some teachers were not having their students sign the Multiple Receipt Form. The Principal should remind teachers/sponsors who are receiving money to have the students sign the Multiple Receipt Form.

Management's Response:

All staff were informed on Opening day as to the correct procedures. We've had staff do so the correct way since day1.

## **VALLEY ELEMENTARY (continued)**

2015-059

There were two (2) ticket sale forms where the amount deposited did not agree with the amount on the ticket sale form. Someone should reconcile the amount receipted/deposited with the ticket sale form.

Management's Response:

Both errors have been corrected. One instance we were missing \$100 startup money. We actually had it in the vault thinking someone had lost it. It was there during the year waiting on someone to claim it however we since realized that the money was in fact the \$100 startup money missing. It has been corrected.

2015-060

There were four transfers done during the year to transfer money to the District Activity Fund (DAF). These did not have transfer forms completed and signed. All transfers between funds need to have transfer forms completed and signed.

Management's Response:

DAF transfer forms were actually completed however we had completed the wrong form. In the future we will make sure to use the correct form.

## **BEVINS ELEMENTARY**

2015-061

According to the Red Book, "Students third grade and above must sign the Multiple Receipt Form." Testing disclosed that some teachers were not having their students sign the Multiple Receipt Form. The Principal should remind teachers/sponsors who are receiving money to have the students sign the Multiple Receipt Form.

Management's Response:

All staff was reminded on opening day by the principal the process for using Multiple Receipt Forms. I have attached the agenda and sign in sheet as documentation. Also the bookkeeper and/or principal, will remind teachers in grades 3-5 as we collect money to have the students sign the form.

2015-062

The school uses a volunteer to take deposits to the bank. The volunteer is not bonded and would not be covered under an employee dishonestly insurance clause. I would recommend the school not use a volunteer to take deposits to the bank, an employee should be used.

Management's Response:

We have two employees that drive passed the bank on their way home from work. Since the bank is 11 miles away, we will start using one of these two employees to take the daily deposit.

## **BLACKBERRY ELEMENTARY**

2015-063

According to the Red Book, "The purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated." Five (5) out of ten (10) expenditures tested had purchase order dates after the invoice date. Two (2) out of ten (10) did not have an invoice. The principal should remind all staff that purchase orders must be approved prior to obligating the school.

Management's Response:

**The principal and bookkeeper discussed this issue with staff on Opening Day, August 11, 2015. No funds will be approved or spent without proper documentation (PO and Invoices).**

2015-064

Four (4) out of ten (10) expenditures tested were for non-allowable expenses. They were for copier lease, copier maintenance, textbooks, and building maintenance. These are expenses that should be paid from the District Activity Funds and not from School Activity Funds.

Management's Response:

**The principal and bookkeeper will be more cautious with expenditures. All maintenance items or operating items will be paid for through District Activity Funds.**

2015-065

According to the Red Book, "amounts may be transferred between activity accounts only by proper completion of a Transfer Form. The transfer to the District Activity Fund did not have a transfer form completed. I recommend transfer forms be obtained before money is transferred.

Management's Response:

**The principal or bookkeeper will not approve transfers without the proper transfer form completed.**

## **DORTON ELEMENTARY**

2015-066

According to the Red Book, "amounts may be transferred between activity accounts only by proper completion of a Transfer Form. The sponsor of the remitting (paying) activity account and the principal shall sign the Transfer Form." Two (2) out of sixteen (16) forms did not have a sponsor signature, but should have. I recommend sponsor signatures be obtained before money is transferred when required.

Management's Response:

We will ensure in the future that sponsors will sign the transfer forms.

2015-067

Ticket Sale Forms are not being completed correctly. Five (5) of sixteen (16) girls basketball forms did not have the signature of the person receiving the start up money. Seven (7) of sixteen (16) girls basketball forms did not have the amount of start up money distributed. Three (3) of twenty-one (21) boys basketball forms did not have the signature of the person receiving the start up money. Two (2) of twenty-one (21) boys basketball forms did not have the amount of start up money distributed. None of the ticket sale forms completed the section breaking down the money turned in by currency, coins and checks. The school treasurer should check the form for completion before accepting the form.

Management's Response:

Signatures –Person who receives start up money will sign the form upon initial receipt of the money box. School treasurer will check forms to ensure all currency types are completed before accepting the form.

2015-068

According to the Red Book, "The purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated." Eight (8) out of fourteen (14) expenditures tested had purchase order dates after the invoice date. Eight (8) out of fourteen (14) did not have the sponsor approval. The principal should remind all staff that purchase orders must be approved prior to obligating the school.

Management's Response:

All staff was trained on opening day in the procedures to follow for ordering. All sponsors/ staff, etc. have been instructed on the procedure as well as possible consequences for not obtaining a PO.

## ELKHORN CITY ELEMENTARY

2015-069

According to the Red Book, "The purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated." Four (4) out of twelve (12) did not have the sponsor approval. The principal should remind all staff that purchase orders must be approved prior to obligating the school.

Management's Response:

Purchase orders will be discussed at the next staff meeting. Sponsors will be told that all purchase orders must be approved and prepared before payment.

2015-070

According to the Red Book, "Before being processed, each disbursement shall be documented by a completed purchase order and an original vendor invoice. If a vendor invoice is not available, the disbursement shall be supported by a Standard Invoice, which must be signed by the payee." Two (2) out of the twelve (12) expenditures tested did not have an invoice attached. The principal should not sign a check for payment without an invoice.

Management's Response:

Staff will be instructed that bills will not be paid without an invoice and purchase order, and they will be accountable for the payment.

2015-071

According to the Red Book, "All checks shall contain the signatures of the principal's designee, and the school treasurer." There were five (5) checks during the year with only one signature. Checks should not be distributed without two signatures. **This is a repeat finding.**

Management's Response:

The school finance secretary will not submit a check for anything unless two signatures are on the check. She should always sign on the second line, leaving the first line for the second signature. This will be school procedure.

2015-072

According to the Red Book, "Students third grade and above must sign the Multiple Receipt Form." Testing disclosed that some teachers were not having their students sign the Multiple Receipt Form. The Principal should remind teachers/sponsors who are receiving money to have the students sign the Multiple Receipt Form.

Management's Response:

Again, at the next staff meeting, the staff will be reminded of the importance of students signing the multiple receipt form. It will be mandatory.

2015-073

According to the Red Book, "amounts may be transferred between activity accounts only by proper completion of a Transfer Form. The sponsor of the remitting (paying) activity account and the principal shall sign the Transfer Form." There were three (3) forms found that had not been entered. I recommend transfer forms be obtained before money is transferred. I also recommend all transfer are recorded during the year.

Management's Response:

The school finance officer (secretary) will complete all transfer forms with proper signatures before transfers are made.

## **ELKHORN CITY ELEMENTARY (continued)**

2015-074

Ticket Sale Forms are not being completed correctly. Two (2) out of thirty-eight (38) forms did not have the ticket taker sign at the bottom of the form, this may mean there was not a second person taking tickets.. Four (4) of the thirty-eight (38) forms did not have the signature of the person in charge at the top of the form. Four (4) of the thirty-eight (38) forms did not have the amount of start up money recorded. Thirty-seven (37) of the thirty-eight (38) forms did not complete the section for "checks, currency, and coins" turned in. The school treasurer should check the form for completion before accepting the form.

Management's Response:

The school will produce a "must do" sheet for any and all people who work extra-curricular activities. The items will be listed so the form will be completed properly, with signatures in the proper places and all checks, currency, and coins listed accordingly. The school secretary will see that these are properly completed before accepting the monies.

2015-075

According to the Red Book, "All external support/booster organizations are required to carry separate insurance for general liability with the appropriate coverage to operate their organization. Proof of liability insurance coverage must be submitted to the principal prior to commencing any fundraising activities." The Volleyball booster did not provide proof of insurance. The principal should require the booster club to provide proof of insurance, before they do any fundraising.

Management's Response:

The principal will check for proof of insurance before permitting fundraising by any booster organization.

## **KIMPER ELEMENTARY**

2015-076

According to the Red Book, "The purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated." Two (2) out of ten (10) expenditures tested had purchase order dates after the invoice date. Four (4) out of ten (10) did not have the sponsor approval. One (1) out of ten (10) tested did not have a purchase order. The principal should remind all staff that purchase orders must be approved prior to obligating the school.

Management's Response:

The principal will be going over Redbook procedures for purchase orders with the staff in an upcoming meeting.

2015-077

Standard invoices are not being completed for referees. According to the Red Book, payments to persons who are independent contractors shall be made with an accompanying invoice or Standard Invoice signed by the payee. The school treasure should not issue a check for payment to referees without a completed standard invoice.

Management's Response:

The school treasurer will be completing standard invoices for referees.

## **KIMPER ELEMENTARY (continued)**

2015-078

The school treasurer is not making deposits daily. Testing disclosed that deposits are sometimes made a week after receipt of the money in excess of \$100.00. The school treasurer should make daily deposits unless the amount collected is less than \$100.00.

Management's Response: The school treasurer and principal are working together to see that deposits get to the bank in a timely manner.

2015-079

The school stopped using inventory control worksheets after August 2014. According to the Red Book, "Fundraising activities such as concessions, bookstores, pencil machines, and other activities involving inventory for sale shall use the Inventory Control Worksheet." The Principal should assign a staff person to complete the inventory control worksheet as required.

Management's Response: The principal will be assigning a staff member to inventory duties.

2015-080

According to the Red Book, "amounts may be transferred between activity accounts only by proper completion of a Transfer Form. The sponsor of the remitting (paying) activity account and the principal shall sign the Transfer Form." Three (3) out of fifteen (15) forms were not found. One form did not have where the money was being transferred to or from. I recommend transfer forms be completed before money is transferred.

Management's Response: School treasurer will complete transfer forms before money is transferred.

2015-081

According to the Red Book, Individual Activity Account Budget Worksheets are due to the principal by April 15. The Principal's Combining Budget and the Individual Activity Account Budget Worksheets are due to the district finance officer by May 15. These were not done for the 2014-2015 fiscal year.

Management's Response: This was a oversight of the school treasurer and will be corrected in the upcoming school year.

## **PHELPS ELEMENTARY**

2015-082

According to the Red Book, "The purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated." Five (5) out of twelve (12) expenditures tested had purchase order dates after the invoice date. Two (2) out of twelve (12) did not have the principal's approval. The principal should remind all staff that purchase orders must be approved prior to obligating the school.

### **Management's Response:**

A training was completed with staff during opening days to remind them of Redbook practices and to outline correct procedures for ordering instructional materials. A sign-in sheet of such training is available upon request. I have made all staff aware that no purchases can be made without PRINCIPAL approval, I was not aware of the 2 purchases you made mention of without principal approval, but those have since been addressed.

2015-083

Five (5) out of twelve (12) expenditures tested were for nonallowable expenses. They were for microwave, day planners, ipads, copier supplies and maintenance. These are expenses that should be paid from the schools District Activity Funds and not from School Activity Funds.

### **Management's Response:**

My financial secretary and I were unaware that we could not set up an activity account for Student Planners and purchase those from that account every year until now, that money will now be sent up in DAF funds.

The iPads were purchased with grant monies a teacher obtained and we were under the impression that could be put into an account at the school level under her name.

The secretary will now pay copier supplies and maintenance out of DAF monies.

The microwave was purchased for student use in our lunchroom (for students who pack their lunch to heat food) should have been purchased through DAF monies. These things will be corrected.

2015-084

According to the Red Book, "The school treasurer shall file all documents for a disbursement together by month, in check numerical order." The disbursements were filed by Purchase Order number not by check number. I recommend the school treasurer file disbursements by check numerical order as required by the Red Book.

### **Management's Response:**

My financial secretary will correct this procedure and start filing those documents by month by check numerical order, rather than by purchase order number. In our discussions, this was her preference for organization, but we will follow RedBook guidelines.

2015-085

According to the Red Book, "amounts may be transferred between activity accounts only by proper completion of a Transfer Form. The sponsor of the remitting (paying) activity account and the principal shall sign the Transfer Form." Six (6) out of eighteen (18) forms did not have a sponsor signature, but should have. I recommend sponsor signatures be obtained before money is transferred when required.

### **Management's Response:**

Many times the financial secretary would sign the transfer form, rather than running a teacher back to the office for a signature and I would follow-up with my signature. From this point forward we will ensure that only the sponsor signs the transfer form. This, too, has been discussed with all staff in opening day trainings and they are aware of such procedures.

## **SOUTHSIDE ELEMENTARY**

2015-086

Two (2) out of nine (9) expenditures tested were for nonallowable expenses. They were for instructional supplies and maintenance. These are expenses that should be paid from the schools District Activity Funds and not from School Activity Funds.

Management's Response:

One of these expenditures was for Food City in which our science teacher purchased some items for a science experiment for classroom instruction. The other was to Wescott's to purchase emergency supplies to fix the gate on the bridge. The materials were necessary to maintain safety of the building during the night. In the future, money will be sent up to DAF for operational expenses; however, this situation was an emergency.

2015-087

According to the Red Book, "All checks shall contain the signatures of the principal's designee and the school treasurer." There were three (3) checks that did not contain two signatures. The school treasurer should not distribute checks without two signatures.

Management's Response:

One check was distributed in October when the new financial clerk started. The other two checks were missing on signature. In each instance, these errors were overlooked through human error.

2015-088

According to the Red Book, "Students third grade and above must sign the Multiple Receipt Form." Testing disclosed that some teachers were not having their students sign the Multiple Receipt Form. The Principal should remind teachers/sponsors who are receiving money to have the students sign the Multiple Receipt Form.

Management's Response:

Teachers were instructed that 3<sup>rd</sup>-5<sup>th</sup> grade students must sign the multiple receipt form. After speaking with two teachers, they were attempting to complete the form quickly so they could begin class. However, we have made them aware of this issue and hope not to repeat it in the future.

2015-089

According to the Red Book, "amounts may be transferred between activity accounts only by proper completion of a Transfer Form. The sponsor of the remitting (paying) activity account and the principal shall sign the Transfer Form." Three (3) out of seventeen (17) forms did not have a sponsor signature, but should have. I recommend sponsor signatures be obtained before money is transferred when required.

Management's Response:

The principal was unaware of this until the auditor brought it to my attention. The new financial clerk was not aware of the need for the sponsor's signature at that time as she had not had the Redbook Training at that time. In the future, sponsor's signature will be obtain before money was transferred.

## **SOUTHSIDE ELEMENTARY (continued)**

2015-090

Ticket Sale Forms are not being completed correctly. The Academic Team Dance did not use tickets for admission and did not complete a ticket sale form. According to the Red Book, "pre-numbered tickets shall be used with ALL events for which admission is charged." The Principal should remind staff that tickets need to be used for all events for which admission is charged. The school treasurer should check the form for completion before accepting the form.

Management's Response:

The Principal misunderstood and thought it was for ballgame functions. Southside just started having dances this past year so I honestly didn't even think about it. I apologize but thankful that the auditor brought it to my attention. In addition, the financial clerk was not aware of this at that time due to lack of Redbook Training. However, in the future, tickets will be dispersed and Redbook forms filled out.

## **SHELBY VALLEY DAY TREATMENT**

2015-091

According to the Red Book, "The purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated." Purchase orders were not prepared during the year. The principal did not approve any of the expenditures. The principal should remind all staff that purchase orders must be approved prior to obligating the school.

Management's Response:

**The finance officer is a new employee, and wasn't aware that purchase orders needed to be completed. This problem has been corrected.**

2015-092

According to the Red Book, Individual Activity Account Budget Worksheets are due to the principal by April 15. The Principal's Combining Budget and the Individual Activity Account Budget Worksheets are due to the district finance officer by May 15. These were not done for the 2014-2015 fiscal year.

Management's Response:

**In the future, these Worksheets will be submitted by the dates specified.**

2015-093

According to the Red Book, the school treasurer shall match up the purchase order and vendor or standard invoice. Only three (3) of eleven (11) expenditures had vendor invoices. The principal should remind staff that vendor invoices are required for payment to be issued.

Management's Response: **Missing invoices were on sight and kept in a separate folder. In the future, the purchase order and standard invoice will be jointly kept.**

2015-094

The check book including two (2) blank checks with two signatures already on the checks. No blank check should ever be signed.

Management's Response: **The checks were immediately voided and no future checks will be signed until a purchase is made.**

## **SHELBY VALLEY DAY TREATMENT(continued)**

2015-095

There was no documentation for any of the receipts. All receipts are from money collected from vending machines. According to the school treasurer, two people count the money. However, there is no documentation to verify that. The receipt from the bank is the only thing maintained. The people counting the money should complete a Form F-SA-17, Sales From Concessions/Bookstore/School Store/Pencil Machine Form.

Management's Response:

**The future documentation will be on the correct form.**

## **PHELPS DAY TREATMENT**

2015-096

The School did not prepare an annual financial report. According to the Red Book, The school treasurer shall prepare the annual financial report by July 25<sup>th</sup>. The principal should remind the school treasurer to prepare the annual financial report.

Management's Response:

We were not aware that we needed an annual financial report. In the future we will attend Redbook training and prepare a financial report.

2015-097

The School did not prepare a budget. According to the Red Book, the principal shall prepare the Principal's Combining Budget and submit to the district finance officer by May 15<sup>th</sup>. The principal should prepare a budget each year.

Management's Response:

We were also not aware that we needed a budget. In the future we will prepare a budget.

2015-098

According to the Red Book, "The purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated." Purchase orders were not prepared and approved for the two expenditures made during the year. One of the two expenditures did not have an invoice. The principal should remind all staff that purchase orders must be approved prior to obligating the school and an invoice must be obtained before paying.

Management's Response:

We were not aware that we needed a purchase order and an invoice for the purchase. We will do purchase orders and attach an invoice in the future.

2015-099

According to the Red Book, all checks shall contain the signatures of the principal's designee, and the school treasurer. Only the school treasurer signed the two checks issued. The principal or his designee should sign all checks.

Management's Response:

We will make sure that the checks have two signatures in the future. I think it is easy to determine that we need to attend Redbook training in the future.

## **NORTH POINT ACADEMY**

2015-100

According to the Red Book, "The purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated." Four (4) out of six (6) expenditures tested did not have a purchase order. The principal should remind all staff that purchase orders must be approved prior to obligating the school.

Management's Response:

Purchase orders were most likely completed. However, a school purchase order may not have followed through the complete process due to the fact that we did not have a financial secretary nor did we have formal practice in Redbook procedures until after we took over the responsibility. These problems have now been corrected. We now have training and have a Redbook trained secretary. No funds are missing and transactions on this account are few compared to other schools.

2015-101

According to the Red Book, Individual Activity Account Budget Worksheets are due to the principal by April 15. The Principal's Combining Budget and the Individual Activity Account Budget Worksheets are due to the district finance officer by May 15. These were not done for the 2014-2015 fiscal year.

Management's Response:

Personnel was not in place to do this paperwork. The principal was trying to juggle all administrative duties and handle discipline in a very active alternative school setting along with focusing on state required assessment. No financial secretary was in place to deal with this process to prepare budgets for principal to combine. This school is very small and most all finances are directly funded through the board with few purchases happening at the school level.

2015-102

According to the Red Book, "All checks shall contain the signatures of the principal's designee, and the school treasurer." One check cleared the bank with no signatures. Checks should not be distributed without two signatures.

Management's Response:

This had to be a mailing error. Most likely the check was written and awaiting signatures. However may have been sent by mistake before signatures were obtained. We also question why the bank allowed payment without signature.