

**PIKEVILLE INDEPENDENT
SCHOOL DISTRICT**

**AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES**

For the year ended June 30, 2015

Prepared by:

WHITE & ASSOCIATES, PSC
CERTIFIED PUBLIC ACCOUNTANTS
1407 Lexington Road
Richmond, Kentucky 40475
Phone (859) 624-3926 Fax (859) 625-0227

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT	1-3
MANAGEMENT DISCUSSION AND ANALYSIS	4-12
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet-Governmental Funds	15
Reconciliation of the Balance Sheet- Governmental Funds to the Statement of Net Position	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - General Fund	19
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Special Revenue Fund	20
Statement of Fund Net Position – Proprietary Funds	21
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	22
Statement of Cash Flows – Proprietary Funds	23
Statement of Fiduciary Net Position – Fiduciary Funds	24
Notes to the Financial Statements	25-46
REQUIRED SUPPLEMENTAL INFORMATION	
Schedule of the District’s Proportionate Share of the Net Pension Liability	47
Schedule of Contributions	48
Notes to Required Supplementary Information	49
SUPPLEMENTAL INFORMATION	
Combining Statements – Non-Major Funds and Other:	
Combining Balance Sheet – Nonmajor Governmental Funds	50

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-major Governmental Funds	51
Combining Balance Sheet of Fiduciary Fund – School Activity Funds.....	52
Combining Statement of Revenues, Expenses, and Changes in Fund Balance - School Activity Funds.....	53
Statement of Revenues, Expenses, and Changes in Fund Balance - Pikeville High School.....	54
Notes to the Schedule of Expenditures of Federal Awards.....	55
Schedule of Expenditures of Federal Awards.....	56

INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>.....	57-58
---	--------------

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133.....	59-60
--	--------------

SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	61
---	-----------

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS.....	62
--	-----------



INDEPENDENT AUDITOR'S REPORT

To the Pikeville Independent Board of Education and
State Committee for School District Audits
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 Pikeville Independent School District (District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Change in Accounting Principle

As described in Note P to the financial statements, in 2015, the District adopted new accounting guidance, *GASB Statement No. 68, Accounting and Financial Reporting for Pensions*. 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, schedule of the district's proportionate share of the net pension liability, and schedule of contributions information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The additional supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The additional supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information and the schedule

of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

White & Associates, P.C.

Richmond, Kentucky
October 20, 2015

**PIKEVILLE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the year ended June 30, 2015

This section of the financial statements for the District presents management's discussion and analysis of the financial performance of the Pikeville Independent School District during the fiscal year that ended on June 30, 2015. As management of the District, we offer readers of the District's financial statements this narrative overview and analysis to highlight and further explain the financial events that have taken place in the past year. We encourage readers to consider the information presented herein along with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The total General Fund Balance was \$1,242,594 at June 30, 2015, compared to \$808,414 at June 30, 2014, an increase of \$434,180.
- General Fund revenues totaled \$11.73 million, which primarily consisted of funding through the state's Support Education Excellence in Kentucky (SEEK) program and revenues from property, utilities, and motor vehicle taxes. General Fund revenues were \$10.67 million in FY 2014.
- Excluding inter-fund transfers, General Fund expenditures totaled \$11.52 million. This compares to \$10.41 million in the prior year. Of these expenditures salaries and benefits totaled \$10.16 million compared to \$8.89 million in FY 2014.
- SEEK revenue increased \$261,374 from FY 2014. The SEEK Guaranteed Base was \$3,827 in FY 2014, and was \$3,911 in FY 2015, this increase along with a slight increase in ADA resulted in a slight increase in total SEEK revenues from FY 2014.

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. The statements are followed by a section of required supplementary information that further explains and supports the financial statements.

Government-wide Financial Statements: The government-wide financial statements, Statement of Net Position and Statement of Activities, 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, respectively. To assess the District's overall health, one needs to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

**PIKEVILLE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the year ended June 30, 2015

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 expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods.

In the government-wide financial statements, the District's activities are divided into two categories:

- Governmental activities – Most of the District's basic services are included here, such as regular and special needs education, transportation, and administration. Property taxes and state formula aid finance most of these activities.
- Business-type activities – The District charges fees to help cover the costs of certain services it provides. The District's food services, and daycare and community education operations are included here.

Fund Financial Statements: The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by State Laws and by bond covenants. The District establishes other funds to control and manage money for specific purposes (like the Construction Fund) or to show that it is properly using certain Revenues (like the Building Fund, Capital Outlay Fund, and Special Revenue Fund).

The District has two kinds of funds:

- Governmental funds: Most of the District's basic services are included in governmental funds, which generally focus on how money flows into and out of those funds and the balances left at year end that are available for spending in future periods. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information with the governmental funds statement that explains the relationships (or differences) between the governmental activities and the governmental funds, through the Statement of Net position and the Statement of Activities.
- Proprietary funds: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

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.

**PIKEVILLE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the year ended June 30, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. For the District, assets and deferred outflows exceeded liabilities and deferred outflows by \$4.72 million as of June 30, 2015.

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

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets. Net position is summarized in Table 1.

	Net Position						Total Percentage Change 2013-2014
	\$ (in Millions)						
	Governmental Activities		Business-type Activities		Total School District		
2014	2015	2014	2015	2014	2015		
Assets:							
Current and Other Assets	1.67	2.12	0.02	0.07	1.69	2.19	29.59%
Capital Assets	8.48	8.15	0.09	0.08	8.57	8.23	-3.93%
Total Assets	10.15	10.27	0.11	0.15	10.26	10.42	1.59%
Deferred Outflows of Resources	0.14	0.32		0.01	0.14	0.33	142.65%
Liabilities:							
Current Liabilities	0.41	.56	0.00	-	0.41	.56	136.59%
Noncurrent Liabilities	3.82	5.13	-	-	3.82	5.13	134.29%
Total Liabilities	4.23	5.68	0.00	-	4.23	5.68	134.28%
Deferred Inflows of Resources		0.19		-			
Net Position:							
Invested in Capital Assets							
Net of Debt	4.88	4.86	0.09	0.08	4.97	4.94	-0.60%
Restricted	0.16	0.10	0.02	0.02	0.18	0.12	-34.95%
Unrestricted Net Position	1.01	(0.24)	-	-	1.01	(0.24)	-123.56%
Total Net Position	6.05	4.72	0.11	0.10	6.16	4.82	-21.76%

Changes in Net Position: The District's total net position increased \$1.34 million. Current assets increased \$.50 million, non-current assets decreased \$.34 million and liabilities increased \$1.45 million. The District's total revenues increased slightly from \$12.98 million to \$14.94 million. (See

**PIKEVILLE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the year ended June 30, 2015

Table 2 on the next page.) Property taxes and state and formula grants accounted for most of the District's revenues.

	Changes in Net Position (in millions)						Total Percentage Change 2014-2015
	Governmental Activities		Business-type Activities		Total		
	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	
Revenues:							
Charges for services	\$0.49	\$0.70	\$0.34	\$0.32	\$0.83	\$1.01	22%
Operating grants and contributions	0.93	0.94	0.45	0.33	1.38	1.27	-8%
Capital grants and contributions	-	0.33			-	0.33	0%
General revenues	10.77	12.33			10.77	12.33	14%
Total revenue	\$12.19	\$14.29	\$0.79	\$0.65	\$12.98	\$14.94	15%
Expenses:							
Instruction	\$7.05	\$8.31	\$ -	\$ -	\$7.05	\$8.31	18%
Student	0.45	0.48			0.45	0.48	7%
Instructional staff	0.66	0.74			0.66	0.74	12%
District administration	0.63	0.69			0.63	0.69	9%
School administration	0.66	0.67			0.66	0.67	2%
Business	0.18	0.19			0.18	0.19	7%
Plant operation & maintenance	1.36	1.57			1.36	1.57	15%
Student transportation	0.38	0.38			0.38	0.38	1%
Community services operations	0.08	0.09			0.08	0.09	13%
Depreciation/Amortization	0.74	0.71	0.02	0.02	0.76	0.73	-5%
Interest on long-term debt	0.11	0.11			0.11	0.11	-3%
Food Service Operations		0.01	0.77	0.58	0.77	0.59	-23%
Day Care Operations					-	-	0%
Total Expenses	\$12.30	\$13.95	\$0.79	\$0.60	\$13.09	\$14.54	11%
Change in net position	(\$0.11)	\$0.35	\$ -	\$0.05	(\$0.11)	\$0.40	-460%

District's expenses are predominantly related to educating and caring for students (72%). The administrative activities of the District accounted for 11% of total costs. Plant Operation and Maintenance is also 11% of the total costs to the District.

**PIKEVILLE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the year ended June 30, 2015

Governmental Activities

Revenues for the District's governmental activities increased \$2.10 million, as well as an increase of \$1.65 million in the District's total governmental expenses.

Business-type activities

Revenues for the District's business-type activities decreased \$0.14 million, and total expenses decreased \$0.19 million. The net position showed a slight increase of \$0.05 million.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds reported combined fund balances totaling \$1.33 million, which is an increase of \$0.37 million from the prior year.

The District has been budgeting and spending conservatively for several years now based on recommendations of the Kentucky Department of Education's District Support staff. The economy still has not fully recovered from the downturn that started in 2008. Every year, KDE staff warns all Districts to be fiscally conservative for fear that both state and federal grants will be cut even further. The District's SEEK funding and property taxes are its two largest forms of revenue.

Table 3 shows revenues and expenses by fund.

SEE TABLE ON NEXT PAGE

**PIKEVILLE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the year ended June 30, 2015

	General Fund	Special Revenue Fund	Other Funds	Proprietary Funds
Local Revenue	5.74	-	0.29	0.32
State Revenue	5.97	0.30	0.33	0.04
Federal Revenue	0.02	0.79	-	0.29
Other	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Totals	<u>11.73</u>	<u>1.09</u>	<u>0.62</u>	<u>0.64</u>
Instruction	6.56	0.82	-	-
Student Support	0.45	0.04	-	-
Instructional Staff	0.57	0.17	-	-
District Admin	0.69	-	-	-
School Support	0.67	-	-	-
Business Support	0.20	-	-	-
Plant Operation & Maintenance	2.00	-	-	-
Student Transportation	0.38	-	-	-
Food Service	-	-	-	0.60
Community Svc.	-	0.09	-	-
Debt Service	-	-	0.44	-
Fund Transfer/Other	-	-	-	-
Daycare	-	-	-	-
Depreciation	-	-	-	0.02
Other	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Totals	<u>11.52</u>	<u>1.12</u>	<u>0.44</u>	<u>0.61</u>

General Fund Revenue/Expenditures (Fund 1)

Revenue was basically derived from State Sources (50%) with local property, motor vehicle and utility taxes making up the other 50% of total revenue.

The instruction function comprises 57% of the expenditures. The instruction function includes school expenditures for staff and supplies. The student support services function is comprised of spending for attendance services, guidance counseling, health services, psychological testing, and speech, hearing and vision services. The instructional staff support function includes spending for staff support personnel and librarians. The district administration support function includes spending for workers compensation, sick leave pay for retirees, property insurance, tax collection fees, and superintendent's office expenses. The school support function includes spending for principals and

**PIKEVILLE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the year ended June 30, 2015

secretaries. The Plant Operation and Maintenance function accounts for 18% of the expenditures, while the Student Transportation services function accounts for 4%. Community services expenditures includes activities concerned with providing services to students, staff, or the community which are not considered instructional.

Special Revenue Fund Revenue/Expenditures

The majority of revenue was derived from federal sources (73%). The majority of expenditures (74%) is spent in the instructional function.

FSPK and Construction Funds Revenue/Expenditures

Fund 310 is the capital outlay fund and Fund 320 is the building fund (FSPK). State funding makes up the Capital Outlay fund and the building fund is made up of state and local revenue. During the FY 2015 school year, these funds were used to make bond payments on existing debt.

Food Service Fund Revenue/Expenditures

Revenue is received from local, state and federal monies, with the largest percentage of the revenue being from local sources (50%).

CAPITAL ASSETS

At the end of fiscal 2015, the District had \$7.82 million invested in capital assets, including land, buildings, buses, computers and other equipment.

**Table 4
Capital Assets at Year-End
(Net of Depreciation, in Millions)**

	Governmental Activities		Business-Type Activities		Totals	
	2014	2015	2014	2015	2014	2015
Land	0.45	0.45	-	-	0.45	0.45
Land improvements	0.15	0.42				
Buildings & Improvements	6.95	6.57	-	-	6.95	6.57
Technology Equipment	0.34	0.21	0.00	0.00	0.35	0.21
Vehicles	0.40	0.31	-	-	0.40	0.31
General Equipment	0.18	0.19	0.09	0.08	0.27	0.27
Construction in Progress	-	-	-	-	-	-
Totals	8.48	8.15	0.09	0.08	8.41	7.82

**PIKEVILLE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**
For the year ended June 30, 2015

BONDED DEBT

During fiscal year 2015 the district assumed no additional debt and continues to make all bond payment obligations in a timely manner.

Table 5
Outstanding Debt at Year-End
\$ (in Millions)

	Governmental	Governmental Activities
	2014	2015
General Obligation Bonds	3.74	3.41
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
Total Obligations	<u>3.74</u>	<u>3.41</u>

Comments on Budget Comparisons

Over the course of the fiscal year, the District revised the annual operating budget as needed and to meet the statutory deadlines from the Kentucky Department of Education.

- Excluding on-behalf payments, General Fund budget compared to actual revenue varied somewhat in most line items with the ending actual balance being \$424,411 more than budget excluding on-behalf payments.
- Excluding on-behalf payments and net of the contingency, expenditures were \$185,111 more than the budget.

FUTURE BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1-June 30. Some federal programs operate on a different fiscal calendar, but are reflected in the district overall budget. By law, the budget must have a minimum 2% contingency. The district adopted a final working budget with \$1 million in contingency. State funding is not keeping pace with mandated state requirements and will continue to be an issue.

Issues which will impact future budgets include:

**PIKEVILLE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the year ended June 30, 2015

- State budgetary shortfalls which could result in the inability to fully fund SEEK.
- KSBIT assessment for shortfall in Workers Compensation and Liability Insurances
- Possible sequestration of Federal Funds.
- Insufficient funding of the state transportation formula.
- Increasing retirement costs to be borne by district could be significant.
- The District has experienced a very small amount of growth in student population over the past several years, although cost of providing services continues to increase. Thus, management will continue to be challenged with balancing our staffing needs with declining enrollment and prudently providing the resources to meet the students' needs in a time of increasing prices for goods and services.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact Denise Clark, Finance Officer, at (606) 432-8161 or by mail at Pikeville Independent Schools, 148 Second Street, Pikeville, Kentucky 41501.

Pikeville Independent School District
Statement of Net Position
June 30, 2015

	Primary Government		
	Governmental Activities	Business- type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,256,198	\$ 55,414	\$ 1,311,611
Receivables (net)	861,493		861,493
Inventories		18,273	18,273
Capital assets:			
Land and construction in progress	454,468		454,468
Other capital assets, net of depreciation	7,697,122	81,559	7,778,680
Total capital assets	<u>8,151,590</u>	<u>81,559</u>	<u>8,233,148</u>
Total assets	<u>10,269,280</u>	<u>155,245</u>	<u>10,424,525</u>
DEFERRED OUTFLOWS OF RESOURCES			
District pension contributions subsequent to the measurement date	205,521	6,287	211,808
Deferred savings from refunding bonds	116,836		116,836
Total deferred outflows of resources	<u>322,357</u>	<u>6,287</u>	<u>328,644</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>10,591,636</u>	<u>161,532</u>	<u>10,753,168</u>
LIABILITIES			
Accounts payable and accrued expenses	127,925		127,925
Accrued interest payable	14,743		14,743
Unearned revenue	33,258		33,258
Long-term liabilities:			
Due within 1 year:			
KSBIT payable	36,611		36,611
Bond obligations	345,000		345,000
Total due within 1 year	<u>381,611</u>	<u>-</u>	<u>381,611</u>
Due in more than 1 year:			
Bond obligations	3,060,000		3,060,000
KSBIT payable	118,466		118,466
Sick leave	269,171		269,171
Net pension liability	1,678,579	51,421	1,730,000
Total due in more than 1 year	<u>5,126,216</u>	<u>51,421</u>	<u>5,177,637</u>
Total liabilities	<u>5,683,752</u>	<u>51,421</u>	<u>5,735,173</u>
DEFERRED INFLOWS OF RESOURCES			
Net difference between projected and actual earnings on pension plan investments	187,263	5,737	193,000
NET POSITION			
Net Investment in capital assets	4,863,425	81,559	4,944,984
Restricted for:			
Other purposes	7,119		7,119
Food services		22,815	22,815
Capital projects	87,916		87,916
Deficit	(237,838)		(237,838)
Total net position	<u>4,720,621</u>	<u>104,374</u>	<u>4,824,995</u>
TOTAL LIABILITIES DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 10,591,636</u>	<u>\$ 161,532</u>	<u>\$ 10,753,168</u>

See the accompanying notes to the financial statements.

Pikeville Independent School District
Statement of Activities
Year Ended June 30, 2015

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT:							
Governmental activities:							
Instruction	\$ 8,306,999	\$ 694,882	\$ 646,255	\$ -	\$ (6,965,863)		\$ (6,965,863)
Support services							
Student	482,512		35,677		(446,834)		(446,834)
Instructional staff	740,516		167,725		(572,792)		(572,792)
District administration	687,706				(687,706)		(687,706)
School administration	670,861				(670,861)		(670,861)
Business	192,302				(192,302)		(192,302)
Plant operation & maintenance	1,573,257	4,152			(1,569,105)		(1,569,105)
Student transportation	384,475		1,176		(383,299)		(383,299)
Food service operations	8,864				(8,864)		(8,864)
Community services operations	86,999		85,052		(1,947)		(1,947)
Depreciation	686,735				(686,735)		(686,735)
Amortization	19,859				(19,859)		(19,859)
Interest on long term debt	107,241			329,633	222,392		222,392
Total governmental activities	<u>13,948,327</u>	<u>699,034</u>	<u>935,884</u>	<u>329,633</u>	<u>(11,983,777)</u>		<u>(11,983,777)</u>
Business-type activities:							
Food service operations	582,794	315,351	331,928			\$ 64,486	64,486
Depreciation	15,918					(15,918)	(15,918)
Total business-type activities	<u>598,712</u>	<u>315,351</u>	<u>331,928</u>	<u>-</u>	<u>-</u>	<u>48,568</u>	<u>48,568</u>
Total primary government	<u>\$ 14,547,039</u>	<u>\$ 1,014,385</u>	<u>\$ 1,267,812</u>	<u>\$ 329,633</u>	<u>(11,983,777)</u>	<u>48,568</u>	<u>(11,935,209)</u>
General revenues:							
Taxes:							
Property taxes					4,134,062		4,134,062
Motor vehicle taxes					326,667		326,667
Utility taxes					849,146		849,146
State and formula grants					7,013,605		7,013,605
Unrestricted investment earnings					9,181		9,181
Total general revenues					<u>12,332,662</u>	<u>-</u>	<u>12,332,662</u>
Change in net position					348,885	48,568	397,453
Net Position - beginning					6,046,396	107,116	6,153,513
Prior period adjustment					(1,674,660)	(51,310)	(1,725,970)
Restated beginning net position					<u>4,371,736</u>	<u>55,806</u>	<u>4,427,543</u>
Net Position - ending					<u>\$ 4,720,621</u>	<u>\$ 104,374</u>	<u>\$ 4,824,995</u>

See the accompanying notes to the financial statements.

Pikeville Independent School District
Balance Sheet
Governmental Funds
June 30, 2015

	Governmental Funds				
	General	Special Revenue	Debt Service	Other Governmental Funds	Total
ASSETS					
Cash and cash equivalents	\$ 1,273,899	\$ -	\$ -	\$ 87,916	\$ 1,361,815
Receivables, net					
Taxes-current	95,803				95,803
Intergovernmental-state		7,773			7,773
Intergovernmental-federal		131,919			131,919
Total assets	1,369,702	139,692	-	87,916	1,597,310
LIABILITIES					
Accounts payable	127,108	817			127,925
Cash shortage		105,617			105,617
Unearned revenue		33,258			33,258
Total liabilities	127,108	139,692	-	-	266,800
FUND BALANCE					
Restricted				87,916	87,916
Committed	7,119				7,119
Unassigned	1,235,475				1,235,475
Total fund balance	1,242,594	-	-	87,916	1,330,510
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,369,702	\$ 139,692	\$ -	\$ 87,916	\$ 1,597,310

See the accompanying notes to the financial statements.

Pikeville Independent School District
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position
 June 30, 2015

Fund balances-total governmental funds	\$	1,330,510
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
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.		8,151,590
Accounts receivable from delinquent property taxes are not recorded in the fund financial statements because they are not available for use (received within 60 days). These receivables are accrued on the statement of net position because they have been earned and are measurable		625,998
Costs associated with bond issues and refundings are expensed in the fund financial statements because they are a use of current financial resources but are capitalized on the statement of net position using the economic resources focus		116,836
Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, accrued interest payable, other accounts payable, and net pension obligations) are not due and payable in the current period and, therefore, are not reported in the funds		
Accrued interest payable		(14,743)
Bonds payable		(3,405,000)
KSBIT payable		(155,077)
Sick leave liability		(269,171)
Net pension liability		(1,678,579)
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds		
Deferred outflows of resources related to employer 2015 contributions to pensions		205,521
Deferred inflows of resources related to pensions		(187,263)
Net position of governmental activities	\$	<u><u>4,720,621</u></u>

See the accompanying notes to the financial statements.

Pikeville Independent School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2015

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
From Local Sources					
Taxes					
Property	\$ 3,832,174	\$ -	\$ -	\$ 291,300	\$ 4,123,474
Motor vehicle	326,667				326,667
Utilities	849,146				849,146
Revenue in lieu of taxes	28,671				28,671
Earnings on investments	9,181				9,181
Tuition	459,367				459,367
Other local revenue	235,408	107			235,515
Intergovernmental - state	5,969,485	297,240	88,656	240,977	6,596,357
Intergovernmental - federal	20,106	791,404			811,510
Total revenues	<u>11,730,205</u>	<u>1,088,751</u>	<u>88,656</u>	<u>532,277</u>	<u>13,439,889</u>
EXPENDITURES					
Instruction	6,562,891	818,653			7,381,544
Support services					
Student	446,716	36,554			483,270
Instructional staff	569,688	171,847			741,535
District administration	688,197				688,197
School administration	671,812				671,812
Business	192,478				192,478
Plant operation & maintenance	1,995,669				1,995,669
Student transportation	383,686	1,205			384,891
Food service operations	8,881				8,881
Community services operations		87,142			87,142
Debt service			442,241		442,241
Total expenditures	<u>11,520,019</u>	<u>1,115,401</u>	<u>442,241</u>	<u>-</u>	<u>13,077,661</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	210,187	(26,650)	(353,585)	532,277	362,228
OTHER FINANCING SOURCES (USES)					
Operating transfers in	246,492	26,650	353,585		626,727
Operating transfers (out)	(26,650)			(600,077)	(626,727)
Sale of equipment	4,152				4,152
Total other financing sources and (uses)	<u>223,994</u>	<u>26,650</u>	<u>353,585</u>	<u>(600,077)</u>	<u>4,152</u>
NET CHANGE IN FUND BALANCE	434,180	-	-	(67,800)	366,380
FUND BALANCE-BEGINNING	<u>808,414</u>	<u>-</u>	<u>-</u>	<u>155,716</u>	<u>964,130</u>
FUND BALANCE-ENDING	<u>\$ 1,242,594</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87,916</u>	<u>\$ 1,330,510</u>

See the accompanying notes to the financial statements.

Pikeville Independent School District
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
 Funds to the Statement of Activities**
 Year ended June 30, 2015

Net change in fund balances-total governmental funds	\$	366,380
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.</p>		
District pension contributions less costs of benefits earned net employee contributions		14,339
<p>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.</p>		
		(327,278)
<p>Accounts receivable from delinquent property taxes are not recorded in the fund financial statements because they are not available for use (received within 60 days). These receivables are accrued on the statement of net position because they have been earned and are measurable.</p>		
		(18,083)
<p>The difference in the issue amount of the refunding of bond proceeds and the amount for payment to the escrow account to pay the refunded bonds is amortized over the life of the refunding issue.</p>		
		(19,859)
<p>Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.</p>		
		335,000
<p>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.</p>		
Accrued interest payable		0
KSBIT payable		62,457
Noncurrent sick leave payable		(64,071)
		(64,071)
Change in net position of governmental activities	\$	348,885

See the accompanying notes to the financial statements.

Pikeville Independent School District
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
From Local Sources				
Taxes				
Property	\$ 3,600,000	\$ 3,600,000	\$ 3,832,174	\$ 232,174
Motor vehicle	375,000	375,000	326,667	(48,333)
Utilities	825,000	825,000	849,146	24,146
Revenue in lieu of taxes	86,000	29,000	28,671	(329)
Earnings on investments	-	10,000	9,181	(819)
Tuition	400,000	400,000	459,367	59,367
Other local revenue	71,250	71,250	235,408	164,158
Intergovernmental - state	3,842,631	4,018,458 *	4,017,099	(1,359)
Intergovernmental - federal	25,000	25,000	20,106	(4,894)
Total revenues	<u>9,224,881</u>	<u>9,353,708</u>	<u>9,777,819</u>	<u>424,111</u>
EXPENDITURES				
Instruction	5,072,851	5,074,343 *	4,984,894	89,449
Support services				
Student	426,870	426,870 *	414,859	12,011
Instructional staff	533,381	533,381 *	534,551	(1,170)
District administration	593,347	660,804 *	614,980	45,824
School administration	527,412	527,412 *	526,976	436
Business	115,784	115,784 *	162,100	(46,316)
Plant operation & maintenance	1,277,763	1,570,133 *	1,957,135	(387,002)
Student transportation	452,330	461,330 *	363,257	98,073
Food service operations	12,465	12,465	8,881	3,585
Total expenditures	<u>9,012,203</u>	<u>9,382,522</u>	<u>9,567,633</u>	<u>(185,111)</u>
EXCESS (DEFICIENCY) IN REVENUES OVER EXPENDITURES	212,678	(28,814)	210,186	239,000
OTHER FINANCING SOURCES (USES)				
Operating transfers in		221,492	246,492	25,000
Operating transfers (out)	(20,000)		(26,650)	(26,650)
Sale of equipment			4,152	4,152
Total other financing sources and (uses)	<u>(20,000)</u>	<u>221,492</u>	<u>223,994</u>	<u>2,502</u>
NET CHANGE IN FUND BALANCE	192,678	192,678	434,179	241,501
FUND BALANCE-BEGINNING	<u>807,322</u>	<u>807,322</u>	<u>808,414</u>	<u>1,092</u>
FUND BALANCE-ENDING	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>	<u>\$ 1,242,594</u>	<u>\$ 242,594</u>

* The district did not budget payments made by the state on-behalf of the district, therefore, those payments have been eliminated from this schedule to better compare the budgeted to actual amounts. The on-behalf payments totaled \$1,952,386.

The district spent \$185,111 more than was approved in the budget. This primarily is a result of the District spending \$387,002 more than was approved for plant operations and maintenance.

Pikeville Independent School District
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Special Revenue Fund
Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
From Local Sources				
Other local revenue	\$ -	\$ -	\$ 107	\$ 107
Intergovernmental - state	267,527	303,242	297,240	(6,002)
Intergovernmental - federal	757,467	734,845	791,404	56,559
Total revenues	<u>1,024,994</u>	<u>1,038,087</u>	<u>1,088,751</u>	<u>50,664</u>
EXPENDITURES				
Instruction	719,954	764,612	818,653	(54,041)
Support Services				
Student	50,000	50,000	36,554	13,446
Instructional Staff	188,831	165,108	171,847	(6,739)
Student Transportation	600	1,130	1,205	(75)
Community Services Operations	85,609	83,887	87,142	(3,255)
Total expenditures	<u>1,044,994</u>	<u>1,064,737</u>	<u>1,115,401</u>	<u>(50,664)</u>
EXCESS (DEFICIENCY) IN REVENUES OVER EXPENDITURES	(20,000)	(26,650)	(26,650)	-
OTHER FINANCING SOURCES (USES)				
Operating transfers in	20,000	26,650	26,650	-
Total other financing sources and (uses)	<u>20,000</u>	<u>26,650</u>	<u>26,650</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE-BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE-ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See the accompanying notes to the financial statements.

Pikeville Independent School District
Statement of Fund Net Position
Proprietary Funds
June 30, 2015

		School Food Services
ASSETS		
Cash	\$	55,414
Inventories		18,273
Capital assets:		
Other capital assets, net of depreciation		81,559
Total assets		<u>155,245</u>
 DEFERRED OUTFLOWS OF RESOURCES		
District pension contributions subsequent to the measurement date		<u>6,287</u>
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		<u><u>161,532</u></u>
 LIABILITIES		
Net pension liability		51,421
 DEFERRED INFLOWS OF RESOURCES		
Net difference between projected and actual earnings on pension plan investments		5,737
 NET POSITION		
Net Investment in capital assets		81,559
Restricted		<u>22,815</u>
Total net position		<u>104,374</u>
 TOTAL LIABILITIES DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$	<u><u>161,532</u></u>

See the accompanying notes to the financial statements.

Pikeville Independent School District
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2015

		<u>Enterprise Funds</u>
		<u>School Food Services</u>
OPERATING REVENUES		
Lunchroom sales	\$	315,300
Other revenue from local sources		51
Total operating revenues		<u>315,351</u>
OPERATING EXPENSES		
Depreciation		15,918
Food service operations		
Employee services		317,950
Operational expenses		264,844
Total operating expenses		<u>598,712</u>
Operating income (loss)		<u>(283,360)</u>
NONOPERATING REVENUES (EXPENSES)		
Federal grants		288,063
State grants		43,865
Total nonoperating revenues		<u>331,928</u>
CHANGE IN NET POSITION		48,568
NET POSITION-BEGINNING		107,116
Prior period adjustment		(51,310)
Restated beginning net position		<u>55,806</u>
NET POSITION-ENDING	\$	<u>104,374</u>

See the accompanying notes to the financial statements.

Pikeville Independent School District
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2015

	Enterprise Funds
	School Food Services
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 315,351
Payments to suppliers	(261,708)
Payments to employees	(318,389)
Net cash provided (used) by operating activities	(264,746)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Retirement of capital assets	539
Purchase of capital assets	(10,715)
Net cash provided (used) by capital financing activities	(10,176)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating grants and contributions	331,928
Net cash provided (used) by noncapital financing activities	331,928
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	57,007
CASH AND CASH EQUIVALENTS-BEGINNING	(1,593)
CASH AND CASH EQUIVALENTS-ENDING	\$ 55,414
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (283,360)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	15,918
Changes in assets and liabilities:	
Inventories	3,258
Deferred inflow and outflows	(439)
Accounts payable	(123)
Net cash provided (used) by operating activities	\$ (264,746)

NONCASH NONCAPITAL FINANCING ACTIVITIES

During the year, the district received \$37,335 of food commodities from the U.S. Department of Agriculture.

During the year, the district recognized revenues and expenses for on-behalf payments relating to fringe benefits in the amount of \$38,169 provided by state government.

See the accompanying notes to the financial statements.

Pikeville Independent School District
Statement of Fiduciary Net Position
Fiduciary Funds
 June 30, 2015

		School Activity Fund Total
		<hr/>
ASSETS		
Cash and cash equivalents	\$	114,579
Total Assets		<hr/> <hr/>
LIABILITIES		
Accounts payable		2,482
Due to student groups		112,097
Total Liabilities		<hr/> <hr/>
NET POSITION HELD IN TRUST	\$	<hr/> <hr/> -

See the accompanying notes to the financial statements.

PIKEVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

The District, for financial purposes, includes all of the funds relevant to the operation of the Pikeville Independent 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 District itself such as Band Boosters, Parent-Teacher Associations, etc.

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

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

Blended Component Unit:

Pikeville Independent Board Of Education Finance Corporation

The Board authorized establishment of the Pikeville Independent Board Of Education Finance Corporation a non-stock, non-profit corporation pursuant to Section 162.385 of the School Bond Act and Chapter 273 and Section 58.180 of the Kentucky Revised Statutes (the “Corporation”) to act as an agency of the District for financing the costs of school building facilities. The Board of Directors of the Corporation shall be the same persons who are at any time the members of the Board of Education of the Pikeville Independent Board of Education.

Basis of Presentation

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

The 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 fund balance. 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) General Fund

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

(B) Special Revenue (Grant) Fund

The Special Revenue (Grant) Fund accounts for proceeds of specific revenue sources (other than expendable trust funds or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

(C) Capital Project Funds

Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Fund).

SEEK Capital Outlay Fund

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 as identified in the District's facility plan.

Building (FSPK) Fund

The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy that is 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.

Construction Fund

The Construction Fund accounts for proceeds from sale of bonds and other revenues to be used for authorized construction and/or remodeling.

(D) Debt Service Fund

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

II. Proprietary Funds (Enterprise Funds)

Food Service Fund

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). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund.

III. Fiduciary Fund Types

Agency Funds

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 “Accounting Procedures for Kentucky School Activity Funds.”

Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end. Non-exchange 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 resource are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

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

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

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 the revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as unearned 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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. All taxes collected are initially deposited in the General Fund and then transferred to the appropriate fund.

The property tax rates (including exonerations) assessed for the year ended June 30, 2015, to finance the General Fund operations were \$.718 per \$100 valuation of real property, \$.718 per \$100 valuation for business personal property and \$.793 per \$100 valuation for motor vehicles.

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

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 government funds. These assets are reported in the government activities column of the government-wide financial statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Interfund Balances

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

Budgetary Process

The District prepares its budgets on the modified accrual basis of accounting, which is the same basis as used to prepare the Statements of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds. 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 budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end. The Kentucky Department of Education does not require the Capital Project Funds and Debt Service Funds to prepare budgets.

The General Fund’s expenditures exceeded its appropriations by \$185,111 and the Special Revenue Fund’s expenditures exceeded its appropriations by \$50,664.

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 government-wide financial statements, including the proprietary fund, inventories are stated at cost, on the first-in, first-out basis, using the accrual method of accounting.

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

Prepaid Assets

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

Accrued Liabilities and Long-Term Obligations

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 judgment, the non-current 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.

Fund Balances

Fund balance is divided into five categories as defined by GASB 54 as follows:

Nonspendable:	Permanently nonspendable by decree of the donor, such as an endowment, or funds that are not in a spendable form, such as prepaid expenses or inventory on hand.
Restricted	Legally restricted under legislation, bond authority, or grantor contract.
Committed	Commitments of future funds for specific purposes passed by the Board.
Assigned	Funds that are intended by management to be used for a specific purpose, including encumbrances.
Unassigned	Funds available for any purpose; unassigned amounts are reported only in the General Fund unless a fund has a deficit.

The Board has adopted a GASB 54 spending policy which states that the spending order of funds is to first use restricted funds, followed by committed, assigned, and unassigned fund funds.

Net Position

The statement of net position presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net position. Net position are reported in three categories: 1) invested in capital assets net of related debt – consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of the assets; 2) restricted net position – resulting from constraints placed on net position by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation adopted by the School District; 3) unrestricted net position – those assets that do not meet the definition of restricted net position or invested in capital assets. It is the District's policy to first apply restricted net position and then unrestricted net position when an expense is incurred for which both restricted and unrestricted net position are available.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Operating and Non-Operating Revenues and Expenses

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

Non-operating revenues are not generated directly from the primary activity of the proprietary funds. For the School District those revenues come in the form of grants (federal and state), donated commodities, and earnings from investments.

Contributions of Capital

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

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on 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 of the County Employees Retirement System Non-Hazardous ("CERS") and Teachers Retirement System of the State of Kentucky ("KTRS") and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the pensions. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Estimates

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

New Accounting Pronouncements

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

NOTE B – CASH AND CASH EQUIVALENTS AND INVESTMENTS

The District’s cash and cash equivalents of amounts deposited in checking accounts include interest bearing accounts deposited a local bank. Due to the liquidity nature of these accounts the carrying value is the fair market value.

		Bank
		<u>Balance</u>
		Citizens National Bank
		<u>Demand</u>
FDIC	\$	250,000
Securities pledged to district		<u>1,572,728</u>
Bank balance	\$	<u><u>1,822,728</u></u>
		Book
		<u>Balance</u>
		Cash and Cash
		<u>Equivalents</u>
Governmental Activities	\$	1,256,198
Business-type Activities		55,414
School Activity		<u>114,579</u>
Total carrying amount	\$	<u><u>1,426,190</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE C – CAPITAL ASSETS

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

<u>Governmental Activities</u>	<u>July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2015</u>
Land	\$ 454,468	\$ -	\$ -	\$ 454,468
Land improvements	600,846	307,740	-	908,586
Buildings	14,795,748	10,000	-	14,805,748
Technology equipment	1,445,088	-	1,099	1,443,989
Vehicles	1,380,411	-	19,796	1,360,615
General equipment	449,720	41,717	18,018	473,419
Construction in progress	-	-	-	-
Total at historical cost	\$ <u>19,126,281</u>	\$ <u>359,457</u>	\$ <u>38,913</u>	\$ <u>19,446,826</u>
Less: Accumulated depreciation				
Land improvements	\$ 450,935	\$ 42,509	\$ -	\$ 493,444
Buildings	7,849,860	383,369	-	8,233,229
Technology equipment	1,100,968	134,843	1,099	1,234,712
Vehicles	977,987	89,743	19,796	1,047,934
General equipment	<u>267,663</u>	<u>36,272</u>	<u>18,018</u>	<u>285,917</u>
Total accumulated depreciation	\$ <u>10,647,414</u>	\$ <u>686,735</u>	\$ <u>38,913</u>	\$ <u>11,295,236</u>
Governmental Activities				
Capital Assets-net	\$ <u>8,478,868</u>	\$ <u>(327,278)</u>	\$ <u>0</u>	\$ <u>8,151,590</u>
<u>Business-Type Activities</u>	<u>July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2015</u>
Technology equipment	\$ 4,692	\$ -	\$ -	\$ 4,692
General equipment	<u>239,709</u>	<u>10,715</u>	<u>4,123</u>	<u>246,301</u>
Total at historical cost	\$ <u>244,401</u>	\$ <u>10,715</u>	\$ <u>4,123</u>	\$ <u>250,993</u>
Less: Accumulated depreciation				
Technology equipment	\$ 3,147	\$ 535	\$ -	\$ 3,682
General equipment	<u>153,953</u>	<u>15,383</u>	<u>3,584</u>	<u>165,752</u>
Total accumulated depreciation	\$ <u>157,100</u>	\$ <u>15,918</u>	\$ <u>3,584</u>	\$ <u>169,435</u>
Business-Type Activities				
Capital Assets-net	\$ <u>87,301</u>	\$ <u>(5,204)</u>	\$ <u>539</u>	\$ <u>81,559</u>

Depreciation expense was not allocated to governmental functions. It appears on the statement of activities as “unallocated”.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE D – BONDED DEBT AND LEASE OBLIGATIONS

The amount shown in the accompanying financial statements as bonded debt and lease obligations represent the District’s future obligations to make payments relating to the bonds issued by the Pikeville Independent School District Finance Corporation aggregating \$3,405,000 and \$345,000 is the portion due within one year.

The District, through the General Fund (including utility taxes), Building (FSPK) Fund, and the SEEK Capital Outlay Fund is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Pikeville Independent School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding. The proceeds from certain refunding issues have been placed in escrow accounts to be used to service the related debt.

The original amount of outstanding issues, the issue dates, interest rates, and outstanding balances, at June 30, 2015 are summarized below:

<u>Bond Issue</u>	<u>Original Amount</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>2014</u>		<u>2015</u>	
				<u>Outstanding Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding Balance</u>
2006	\$ 360,000	5/1/2026	4.25%	\$ 290,000	\$ -	\$ 25,000	\$ 265,000
2008R	890,000	9/1/2019	2.55 - 3.40%	590,000		90,000	500,000
2009	1,220,000	6/1/2029	2.0 - 4.50%	1,120,000		50,000	1,070,000
2012R	\$ 1,840,000	6/1/2024	1.15 - 3.0%	1,740,000		170,000	1,570,000
Totals				\$ 3,740,000	\$ -	\$ 335,000	\$ 3,405,000

The District has entered into “participation agreements” with the Kentucky School Facility Construction Commission. The Kentucky Legislature, for the purpose of assisting local school districts in meeting school construction needs, created the Commission. The table following sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

The bonds may be called prior to maturity at dates and redemption premiums specified in each issue. Assuming no issues are called prior to 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:

SEE SCHEDULE ON FOLLOWING PAGE

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Fiscal Year Ended June 30th	<u>Principal</u>		<u>Interest</u>		<u>Principal</u>	<u>Interest</u>
	<u>Local</u>	<u>SFCC</u>	<u>Local</u>	<u>SFCC</u>	<u>Total</u>	<u>Total</u>
	2016	\$ 273,195	\$ 71,805	\$ 83,197	\$ 16,852	\$ 345,000
2017	276,258	73,742	77,738	14,915	350,000	92,654
2018	284,189	75,811	72,113	12,846	360,000	84,959
2019	286,849	78,151	64,646	10,506	365,000	75,151
2020	292,765	67,235	56,778	8,243	360,000	65,021
2021-2025	1,039,829	125,171	180,877	25,733	1,165,000	206,610
2026-2029	399,300	60,700	43,796	6,979	460,000	50,775
	<u>\$ 2,852,385</u>	<u>\$ 552,615</u>	<u>\$ 579,145</u>	<u>\$ 96,074</u>	<u>\$ 3,405,000</u>	<u>\$ 675,219</u>

NOTE E – OTHER LONG TERM OBLIGATIONS

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. The activity during fiscal year 2015 for accumulated sick leave is as follows:

	<u>2014</u> <u>Outstanding</u> <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>2015</u> <u>Outstanding</u> <u>Balance</u>
Sick Leave	\$ 205,100	\$ 64,071	\$ -	\$ 269,171
Totals	<u>\$ 205,100</u>	<u>\$ 64,071</u>	<u>\$ -</u>	<u>\$ 269,171</u>

The District elected to take advantage of the 0% interest option repayment plan for the worker’s compensation and property and liability insurance deficit with the now defunct Kentucky School Board Insurance Trust. The repayment plan required the District to pay 25% of the worker’s compensation deficit during fiscal year 2015 with the remaining balance to be repaid over the next six years, and to pay 40% of the property and liability deficit during fiscal year 2015 with the remaining balance to be repaid over the next two years. The activity during fiscal year 2015 for the worker’s compensation and property and liability deficit are as follows:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

<u>Insurance Fund</u>	2014			2015	
	<u>Outstanding Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding Balance</u>	
Worker's Compensation	\$ 163,712		\$ 40,928	\$	122,784
Property and Liability	53,822		21,529		32,293
Totals	\$ 217,534	\$ -	\$ 62,457	\$	155,077

The minimum payments are as follows:

Fiscal Year Ended June 30,	Payment
2016	\$ 36,611
2017	36,611
2018	20,464
2019	20,464
2020	20,464
2021	20,464
Total	\$ 155,078

NOTE F – RETIREMENT PLANS

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

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

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

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

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

Plan description—Teaching certified employees of the District and other employees whose positions require at least a college degree are provided pensions through the Teachers' Retirement System of the State of Kentucky (KTRS)—a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. KTRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. KTRS issues a publicly available financial report that can be obtained at http://www.ktrs.ky.gov/05_publications/index.htm.

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

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

Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

the first ten years. In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

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

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

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

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

Medical Insurance Plan

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

District's proportionate share of CERS net pension liability	\$	1,730,000
Commonwealth's proportionate share of the KTRS net pension liability associated with the district		<u>40,257,277</u>
	\$	<u><u>41,987,277</u></u>

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

The District’s proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2015, the District’s proportion was .053312% (percent).

For the year ended June 30, 2015, the District recognized pension expense of \$197,030 related to CERS and \$1,972,689 related to KTRS. The District also recognized revenue of \$1,972,689 for KTRS support provided by the Commonwealth. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$	\$
Changes of assumptions		
Net difference between projected and actual earnings on pension plan investments		193,000
Changes in proportion and differences between District contributions and proportionate share of contributions		
District contributions subsequent to the measurement date	<u>211,808</u>	
	\$ <u><u>211,808</u></u>	\$ <u><u>193,000</u></u>

\$211,808 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

	<u>Year Ended June 30,</u>
2016	\$ 42,362
2017	42,362
2018	42,362
2019	42,362
2020	<u>42,362</u>
	\$ <u><u>211,808</u></u>

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:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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%	

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

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

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

SEE SCHEDULE ON NEXT PAGE

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	1% Decrease	Current Discount Rate	1% Increase
CERS	6.75%	7.75%	8.75%
District's proportionate share of net pension liability	1,506,461	1,730,000	1,952,820
KTRS	4.23%	5.23%	6.23%
District's proportionate share of net pension liability	-	-	-

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

NOTE G – COMMITMENTS

The Pikeville Independent School District has committed the fund balance in General Fund as follows:

<u>Purpose</u>	<u>Amount</u>
Site Based Decision Making Carry forward	\$ 7,119

The Board has entered into a renewable one-year lease for the non-exclusive rental of the W.C. Hambley Athletic Complex. The lease terms state that the termination of the lease will result in termination payments equal to the lease payments for the original term. Therefore this lease is non-cancellable for the original term. The lease consists of \$1,000 monthly maintenance fees which run for the life of the lease. Also included were \$800 monthly payments for the lease of the locker room addition ending December 2014 and \$20,000 annual payments for the lease of the turf and grand stands addition with the last payment being on June 1, 2018. During FY 2015 the District recognized \$36,800 in rent expense.

The minimum lease/termination payments are as follows:

<u>Fiscal Year Ended</u>	<u>Minimum</u>
<u>30-Jun</u>	<u>Payments</u>
2016	\$ 32,000
2017	32,000
2018	<u>32,000</u>
Total	\$ <u>96,000</u>

NOTE H - CONTINGENCIES

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE I- LITIGATION

The District is currently involved in pending litigation for which the expected award to the claimant if any is expected to be covered by the District’s insurance carrier.

NOTE J – 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, illegal acts, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies, which are retrospectively rated and includes Workers’ Compensation insurance.

NOTE K – RISK MANAGEMENT

The District is exposed to various risks of loss related to illegal acts, torts, theft/damage/destruction of assets, errors and omissions, injuries to employees, and natural disasters. To obtain insurance for workers’ compensation, errors and omission, and general liability coverage, the District purchased commercial insurance policies.

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

NOTE L – DEFICIT FUND AND OPERATING BALANCES

The following fund had an operating deficit at the end of the fiscal year causing a reduction in the fund balance/net position.

<u>Fund</u>	<u>Reduction in Fund Balance / Net Position</u>
Capital Outlay	\$ (67,800)

NOTE M - COBRA

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

NOTE N – TRANSFER OF FUNDS

The following transfers were made during the year:

<u>Type</u>	<u>From</u>	<u>To</u>	<u>Purpose</u>	<u>Amount</u>
Operating	General Fund	Special Revenue Fund	KETS	\$ 26,650
Operating	Capital Outlay Fund	General Fund	Operations	179,976
Operating	FSPK Fund	General Fund	Operations	66,516
Debt Service	FSPK Fund	Debt Service Fund	Debt Payments	\$ 353,585

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE O – ON-BEHALF PAYMENTS

For fiscal year 2015, the Commonwealth of Kentucky contributed estimated payments on behalf of the District as follows:

<u>Plan/Description</u>	<u>Amount</u>
Kentucky Teachers Retirement System (GASB 68 Schedule A)	\$ 948,675
Health Insurance	923,033
Life Insurance	1,906
Administrative Fee	13,052
HRA/Dental/Vision	88,463
Federal Reimbursement	(35,573)
Technology	51,001
SFCC Debt Service Payments	<u>88,656</u>
Total	<u>\$ 2,079,211</u>

These amounts are included in the financial statements as state revenue and an expense allocated to the different functions in the same proportion as full-time employees.

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

GASB 68 required retrospective application. Since the District only presents one year of financial information, the beginning net pension was adjusted to reflect the retrospective application. The adjustment resulted in a \$1,725,970 reduction in beginning net position on the Statement of Activities and an increase of \$231,030 of deferred outflows of resources – District contributions subsequent to the measurement date.

NOTE Q – RESTRICTED FUNDS

The following funds had restricted fund balances.

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
Capital Outlay	\$ 87,072	School Facilities Construction Commission Requirement
FSPK	\$ 844	School Facilities Construction Commission Requirement

NOTE R – SUBSEQUENT EVENTS

The District has evaluated subsequent events through October 20, 2015, the date of the audit report.

PIKEVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

	Reporting Fiscal Year (Measurement Date) 2015 (2014)
COUNTY EMPLOYEE'S RETIREMENT SYSTEM:	
Districts' proportion of the net pension liability	0.0533%
District's proportionate share of the net pension liability	\$ 1,730,000
State's proportionate share of the net pension liability associated with the District	-
Total	\$ 1,730,000
District's covered-employee payroll	\$ 1,198,688
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	144.32%
Plan fiduciary net position as a percentage of the total pension liability	66.80%
KENTUCKY TEACHER'S RETIREMENT SYSTEM:	
Districts' proportion of the net pension liability	0.196%
District's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the District	40,257,277
Total	\$ 40,257,277
District's covered-employee payroll	\$ -
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.000%
Plan fiduciary net position as a percentage of the total pension liability	45.59%

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

See the accompanying notes to the required supplementary information.

PIKEVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS

	2015	2014
COUNTY EMPLOYEE'S RETIREMENT SYSTEM:		
Contractually required contribution	\$ 211,808	\$ 231,030
Contributions in relation to the contractually required contribution	211,808	231,030
Contribution deficiency (excess)	-	-
District's covered-employee payroll	\$ 1,198,688	\$ 1,223,025
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	17.67%	18.89%
 KENTUCKY TEACHER'S RETIREMENT SYSTEM:		
Contractually required contribution	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-
Contribution deficiency (excess)	-	-
District's covered-employee payroll	\$ -	\$ -
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	0.00%	0.00%

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

See the accompanying notes to the required supplementary information.

PIKEVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the year ended June 30, 2015

Changes of benefit terms – None

Changes of assumptions – None

Pikeville Independent School District
Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2015

Other Governmental Funds				
	FSPK	Capital Outlay	Construction	Total
Assets				
Cash and cash equivalents	\$ 844	\$ 87,072	\$ -	\$ 87,916
Total Assets	844	87,072	-	87,916
Fund Balances				
Restricted	844	87,072	-	87,916
Total Fund Balances	\$ 844	\$ 87,072	\$ -	\$ 87,916

See the accompanying notes to the financial statements.

Pikeville Independent School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
For the year ended June 30, 2015

	Other Governmental Funds			
	FSPK	Capital Outlay	Construction	Total
Revenues				
From local sources				
Taxes				
Property	\$ 291,300	\$ -	\$ -	\$ 291,300
Intergovernmental - State	128,801	112,176		240,977
Total Revenues	420,101	112,176	-	532,277
Expenditures				
Debt service		-	-	-
Total Expenditures	-	-	-	-
Excess (Deficit) of Revenues Over Expenditures	420,101	112,176	-	532,277
Other Financing Sources (Uses)				
Transfers out	(420,101)	(179,976)		(600,077)
Total Other Financing Sources (Uses)	(420,101)	(179,976)	-	(600,077)
Net change in fund balances	-	(67,800)	-	(67,800)
Fund Balance beginning	844	154,872	-	155,716
Fund Balance ending	\$ 844	\$ 87,072	\$ -	\$ 87,916

See the accompanying notes to the financial statements.

Pikeville Independent School District
Combining Balance Sheet of Fiduciary Fund - School Activity Funds
 June 30, 2015

	SCHOOL ACTIVITY FUND		
	PIKEVILLE HIGH SCHOOL	PIKEVILLE ELEMENTARY	TOTAL
ASSETS			
Cash and cash equivalents	\$ 74,062	\$ 40,517	\$ 114,579
Total Assets	74,062	40,517	114,579
LIABILITIES			
Accounts payable	-	2,482	2,482
Total Liabilities	-	2,482	2,482
FUND BALANCE			
School activities	74,062	38,034	112,097
Total Liabilities & Fund Balances	\$ 74,062	\$ 40,517	\$ 114,579

See the accompanying notes to the financial statements.

Pikeville Independent School District
Combining Statement of Revenues, Expenses and Changes in Fund Balance
- School Activity Funds
For the year ended June 30, 2015

	SCHOOL ACTIVITY FUND		
	PIKEVILLE HIGH SCHOOL	PIKEVILLE ELEMENTARY	TOTAL
REVENUES			
Student revenues	\$ 458,648	\$ 124,277	\$ 582,925
EXPENSES			
Student activities	418,082	128,614	546,695
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	40,567	(4,337)	36,230
FUND BALANCE - BEGINNING	33,496	42,371	75,867
FUND BALANCE - ENDING	\$ 74,062	\$ 38,034	\$ 112,097

See the accompanying notes to the financial statements.

Pikeville Independent School District
Statement of Revenues, Expenses and Changes in Fund Balance -Pikeville High School
For the year ended June 30, 2015

	FUND BALANCE BEGINNING	REVENUES	EXPENSES	TRANSFER	FUND BALANCE ENDING
OFFICE	\$ 122	\$ 292	\$ 357	\$ (31)	\$ 26
POSTAGE	34	-	-	51	85
LOCKER FEES	-	254	1	-	253
GENERAL	-	765	765	-	-
TEXTBOOKS	-	11,464	10,192	-	1,272
SCHOOL RESERVED	-	41,150	41,150	-	-
ATHLETIC CONTINGENCY	-	3,837	-	-	3,837
PROJECT PROM	164	9,790	9,525	-	429
STUDENT VENDING	692	6,025	5,050	(86)	1,581
TEACHER VENDING	491	718	1,239	31	0
ATHLETICS	-	161,958	152,438	-	9,520
CORP SPONSORSHIP	-	24,750	-	-	24,750
MOCK TRIAL	136	2,079	1,835	-	380
NEED ENERGY	235	3,951	2,345	-	1,840
ROBOTICS	2,000	-	1,985	-	15
S.KENNON SCIENCE DEP	500	-	-	-	500
7TH GRADE ACTIVITY FUND	6	1,577	1,519	-	64
TACKETT STEM GRANT	-	1,000	997	-	3
TACKETT CMPS GRANT	-	6,578	8,826	2,248	-
SCOTT ARI GRANT	-	925	875	-	50
KENNON ARI GRANT	-	1,000	992	-	8
MURPHY ARI GRANT	-	1,000	1,000	-	-
KING MAJ LEADER ARI	-	902	902	-	-
FCA	-	200	185	-	15
HONOR SOCIETY	1,825	2,867	3,083	(15)	1,593
HS ACADEMICS	1,410	10,735	8,166	-	3,979
JH ACADEMICS	41	395	384	-	52
JH PEP CLUB	412	400	400	-	412
PEP CLUB HS	3,875	10,081	9,711	(1,194)	3,050
KEY CLUB	982	2,183	1,300	-	1,866
STUDENT COUNCIL	889	640	954	-	575
FBLA	2,851	20,776	23,467	-	160
SPECIAL ED FOUNDATION	144	-	-	-	144
BETA CLUB	-	3,124	3,124	-	-
BAND	1,002	13,015	12,917	-	1,100
SCHOOL BUCKS	-	987	-	-	987
SCHOOL NEWSPAPER	-	300	-	-	300
CHORUS	364	11,363	10,502	-	1,225
DRAMA	6,452	3,843	5,290	(2,248)	2,756
C STUART SCIENCE	-	1,210	1,296	86	-
11TH GRADE	1,242	14,144	16,036	1,159	509
12TH GRADE	589	5,383	5,828	-	144
BV CHEERLEADERS	-	43,608	43,591	-	17
YEARBOOK	4,159	5,424	5,188	-	4,395
COUNSELOR NEEDS	451	2,542	2,714	-	279
LIBRARY	483	4,126	4,085	-	524
HELP	9	897	298	-	608
CLASS OF 2019	-	4,263	3,599	-	664
CLASS OF 2018	543	-	-	-	543
CLASS OF 2017 GRAD FU	107	-	-	-	107
PANTHER BASKETBALL	-	6,113	6,113	-	-
R KING ENG DEPT	260	-	-	-	260
SCOTT FIELD TRIPS	122	-	-	-	122
COMPETITIVE CHEER AC	-	4,909	3,254	-	1,655
COOKING TEAM	634	2,113	2,158	-	590
PANTHER FOOTBALL CA	-	2,168	2,050	-	118
TEEN'S WHO CARE	271	826	397	-	700
TOTALS	\$ 33,496	\$ 458,648	\$ 418,082	\$ (0)	\$ 74,062

See the accompanying notes to the financial statements.

PIKEVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015

NOTE A – BASIS OF PRESENTATION

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

NOTE B – SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State and Local Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represents adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. At June 30, 2015, the District had food commodities totaling \$37,335.

Pikeville Independent School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2015

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Expenditures
US Department of Agriculture				
Passed Through State Department of Education				
* School Breakfast Program	10.553			
Fiscal Year 14		7760005 14	\$	\$ 12,590
Fiscal Year 15		7760005 15	N/A	38,883
* National School Lunch Program	10.555			
Fiscal Year 14		7750002 14	N/A	45,495
Fiscal Year 15		7750002 15	N/A	150,983
* Summer Food Service Program for Children	10.559			
Fiscal Year 14		7690024 14	N/A	265
* Summer Food Service Program for Children	10.559			
Fiscal Year 14		7740023 14	N/A	2,512
Child Nutrition Cluster Subtotal				<u>250,728</u>
Passed Through State Department of Agriculture				
* Food Donation-Commodities	10.565			
Fiscal Year 15		510.4950	N/A	37,335
Total US Department of Agriculture				<u>288,063</u>
US Department of Education				
Passed Through State Department of Education				
Title I Grants to Local Educational Agencies	84.010A			
Fiscal Year 14		3100002 14	325,846	93,516
Fiscal Year 15		3100002 15	293,353	264,526
				<u>358,042</u>
Special Education Grants to States	84.027A			
Fiscal Year 13		3810002 13	198,502	46
Fiscal Year 13P		3810002 13	7,088	5,274
Fiscal Year 14		3810002 14	190,740	18,175
Fiscal Year 14P		3810002 14	6,274	1,009
Fiscal Year 15		3810002 15	198,729	172,040
Special Education - Preschool Grants	84.173A			
Fiscal Year 15		3800002 15	7,769	4,588
Special Education Cluster Subtotal				<u>201,132</u>
Vocation Education - Basic Grants to States	84.048			
Fiscal Year 14		4621132 14	9,788	745
Fiscal Year 14A		4621132 14	391	391
Fiscal Year 15		4621132 15	8,927	7,045
				<u>8,181</u>
Rural Education	84.358B			
Fiscal Year 14		3140002 14	21,926	20,388
Fiscal Year 15		3140002 15	25,775	7,637
				<u>28,025</u>
Race to the Top	84.413A			
Fiscal Year 11		39600002 11	15,374	3,872
Improving Teacher Quality State Grants	84.367A			
Fiscal Year 14		3230002 14	83,679	385
Fiscal Year 15		3230002 15	83,691	81,340
				<u>81,726</u>
Passed Through Kentucky Valley Educational Cooperative				
Race to the Top - District	84.416A			
Fiscal Year 15		B416A140080	109,630	109,630
Total US Department of Education				<u>790,606</u>
U.S. Department of Commerce				
Passed through Bluegrass Pride				
Pride Grant-Wetlands Project	11.420			
Fiscal Year 14		2704	885	798
Total US Department of Commerce				<u>798</u>
Total Expenditure of Federal Awards			\$	<u>1,079,467</u>

* Major program

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

To the Pikeville Independent Board of Education and
State Committee for School District Audits
Pikeville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Auditor Responsibilities* and *State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pikeville Independent School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Pikeville Independent School District's basic financial statements, and have issued our report thereon dated October 20, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Pikeville Independent School District, in a separate letter dated October 20, 2015.

In addition, the results of our tests disclosed no material deficiencies as it relates to specific state statutes or regulations identified in the audit requirements prescribed by the Kentucky State Committee for School District Audits included in the Kentucky Public School District's Audit Contract and Requirements or Appendices.

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.

White & Associates, P.C.

Richmond, Kentucky
October 20, 2015

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

To the Pikeville Independent Board of Education and
State Committee for School District Audits
Pikeville, Kentucky

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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.

White & Associates, P.C.

Richmond, Kentucky
October 20, 2015

PIKEVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

SUMMARY OF AUDITOR’S RESULTS

What type of report was issued for the financial statements?	Unmodified
Were there significant deficiencies in internal control disclosed? If so, was any significant deficiencies material (GAGAS)?	None Reported
Was any material noncompliance reported (GAGAS)?	No
Were there material weaknesses in internal control disclosed for major programs?	No
Were there any significant deficiencies in internal control disclosed that were not considered to be material weaknesses?	None Reported
What type of report was issued on compliance for major programs?	Unmodified
Did the audit disclose findings as it relates to major programs that Is required to be reported as described in Section 510(a) of OMB A-133?	No
Major Programs	Child Nutrition Cluster [CFDA 10.553, 10.555, 10.559] Donated Commodities [10.565]
Dollar threshold of Type A and B programs	\$300,000
Low risk auditee?	Yes

FINDINGS - FINANCIAL STATEMENT AUDIT

No findings at the financial statement level.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

No findings at the major federal award programs level.

PIKEVILLE INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2015

There were no prior audit findings.