

**REPORT OF THE AUDIT OF THE
PULASKI COUNTY
SCHOOL DISTRICT**

**For The Fiscal Year Ended
June 30, 2015**

**ROSS & COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
www.rosscpas.com**

**800 Envoy Circle
Louisville, KY**
Telephone (502) 499-9088
Facsimile (502) 499-9132

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ROSS & COMPANY, PLLC
Certified Public Accountants
800 Envoy Circle
Louisville, KY 40299-1837
Telephone (502) 499-9088
Facsimile (502) 499-9132
rosscpas.com

Members of the Board
Pulaski County School District
Somerset, Kentucky

INDEPENDENT AUDITOR'S REPORT

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*, including *Appendix I—Audit Extension Request and Appendix II—Instructions for Submissions of the Audit Report*. 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, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and net pension schedules on pages 4-8, 40-41 and 42-45 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 Pulaski County School District's basic primary government financial statements. The combining and individual non-major fund financial statements, and the statement of receipts, disbursements and fund balance- High School Activity Fund are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*, and is also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements, and the statement of receipts, disbursements and fund balance- High School Activity Fund and the schedule of expenditures of federal awards are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements, and the statement of receipts, disbursements and fund balance- High School Activity Fund and the schedule of expenditures of federal awards is 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 November 10, 2015 on our consideration of Pulaski County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pulaski County School District's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in cursive script that reads "Ross and Company".

Ross and Company, PLLC
November 10, 2015

**PULASKI COUNTY SCHOOL DISTRICT
SOMERSET, KENTUCKY
Management's Discussion and Analysis (MD & A)
Year Ended June 30, 2015**

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

FINANCIAL HIGHLIGHTS

- The beginning and ending balance for the District's General Fund was \$5,821,461 and \$4,917,681, respectively.
- The General Fund had \$ 65.77 million in revenue, including interfund transfers and beginning balance, which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes. Including inter-fund transfers, there was \$60.85 million in General Fund expenditures.
- SEEK revenue for 2014-2015 came in under the forecasted amount at 99.15%, which was \$257,362.00 less than forecast. Interest income slightly increased in the General Fund to \$36,232 up from \$29,018. Utility tax receipts decreased from \$3,313,558 to \$2,819,906. A major impact made on the district was the levying of a 4% revenue increase tax rate. General property tax revenue came in at 101.25% of projected with total receipts at \$10,428,863. The increase of receipts from the previous year totaled \$679,961. Tax receipts from motor vehicle taxes increased from \$1,782,753 to \$1,877,749. Delinquent tax revenue gained from \$271,440 to \$302,637. Omitted tax receipts came in \$96,062 less than the previous year.
- CERS rates lowered for the second year in a row to 17.67% for the employer share. KTRS had an employer share rate increase to 2.25%. The employer rate will increase a final time in 2015-2016 when the will level at 3.0%.
- 2015 brought about the continuation of work on the Eubank Elementary addition and renovation. Eubank is the last elementary school in the district in need of renovation. The existing cafeteria is being renovated for additional classrooms, a new construction of a cafeteria is near completion, a new sewer plant has been installed, and a new façade adorns the front. Projects slated for 2016 will be a replacement roof for the Area Technology Center and the construction of a new bus garage that will adequately service our current sized buses.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

The district-wide financial statements can be found on pages 9 and 10.

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

The governmental fund financial statements can be found on pages 11 and 13.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements.

The notes to the financial statement can be found on pages 20-39.

DISTRICT-WIDE FINANCIAL ANALYSIS

Net Position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$9,200,826 as of June 30, 2015.

A portion of the District's Net Position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress); less any related debt used to acquire those assets that are still outstanding. The District used 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 of capital assets, and the depreciation of capital assets.

MANAGEMENT'S DISCUSSION & ANALYSIS
PULASKI COUNTY SCHOOL DISTRICT
JUNE 30, 2015

Net Position for the period ending June 30, 2014 (restated) and 2015, respectively:

ASSETS	2014	2015
Total current assets	\$ 13,829,296	\$ 9,682,256
Total non-current assets	83,402,065	84,068,776
Total assets	<u>97,231,361</u>	<u>93,751,032</u>
Deferred outflow	2,696,265	2,829,507
Total assets & deferred outflow	<u>\$ 99,927,626</u>	<u>\$ 96,580,539</u>
LIABILITIES		
Total current liabilities	\$ 8,614,095	\$ 8,614,275
Total non-current liabilities	82,922,989	77,178,415
Total liabilities	<u>91,537,084</u>	<u>85,792,690</u>
Deferred inflows	-	1,587,023
Total liabilities & deferred inflows	<u>91,537,084</u>	<u>87,379,713</u>
NET POSITION		
Invested in capital assets, net of related debt	13,343,818	17,641,487
Restricted	6,163,121	2,935,248
Unrestricted	<u>(11,116,397)</u>	<u>(11,375,909)</u>
Total Net Position	<u>\$ 8,390,542</u>	<u>\$ 9,200,826</u>

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MANAGEMENT'S DISCUSSION & ANALYSIS
PULASKI COUNTY SCHOOL DISTRICT
JUNE 30, 2015

The following table presents a summary of General Fund revenue and expense for the fiscal year ended June 30, 2015.

Revenues	<u>General Fund</u>
From local sources	\$ 15,927,783
State sources	43,361,471
Other sources	12,719
Transfers	648,815
Total revenues	<u>\$ 59,950,788</u>
Expenditures	
Instruction	35,932,157
Support services	
Student	3,547,441
Instruction staff	4,986,354
District administration	1,275,268
School administration	2,807,935
Business	654,627
Plant operation and maintenance	6,317,553
Student transportation	3,840,147
Facilities acquisition and construction	-
Community Service	3,911
Inter-fund Transfers	1,489,175
Total expenditures	<u>60,854,568</u>
Excess (deficit) of revenues over expenditures & transfers	<u>\$ (903,780)</u>

Comments on Budget Comparisons

- The District's total General Fund revenues for the fiscal year ended June 30, 2015, including inter-fund transfers and on-behalf payments, were \$65,772,249 including a beginning balance of \$5,821,461.
- General fund budget (excluding on-behalf revenues) compared to actual revenue varied slightly from line item to line item with the ending actual revenues being \$938,311 more than budgeted by 1.82 favorable percentage points.
- General fund budget expenditures (excluding on-behalf payments) to actual varied from line item to line item with the ending actual expenditures being \$3,979,370 less than budgeted.

BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1 – June 30; other programs, i.e. some federal programs operate on a different fiscal calendar, but are reflected in the District's overall budget. By law the budget must have a minimum 2% contingency. The District adopted a budget for 2016 with \$2,856,500 or 5.36% in contingency.

Questions regarding this report should be directed to **Steve Butcher, Superintendent**, or **Rebecca Wright, Finance Officer** at 606-679-1123 or by mail at P O Box 1055, Somerset, KY 42502.

PULASKI COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
DISTRICT WIDE

As of June 30, 2015

ASSETS	Governmental Activities	Business-type Activities	Total
Current Assets			
Cash and cash equivalents	\$ 6,242,121	\$ 1,153,338	\$ 7,395,459
Other receivables	1,458,563	165,079	1,623,642
Inventory	66,193	94,809	161,002
Prepaid Expense	502,153	-	502,153
Total current assets	8,269,030	1,413,226	9,682,256
Non-current Assets			
Land	3,345,670	-	3,345,670
Land Improvements	133,171	-	133,171
Buildings and improvements	96,512,170	-	96,512,170
Furniture and equipment	21,352,808	2,418,372	23,771,180
Construction in progress	12,484,459	-	12,484,459
Less: Accumulated depreciation	(50,247,193)	(1,930,681)	(52,177,874)
Total non-current assets	83,581,085	487,691	84,068,776
Total assets	91,850,115	1,900,917	93,751,032
Deferred outflow			
Bond refunding	961,401	-	961,401
Pension outflows	1,868,106	-	1,868,106
Total outflows	2,829,507	-	2,829,507
Total assets & deferred outflows	\$ 94,679,622	\$ 1,900,917	\$ 96,580,539
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 648,763	\$ 69,985	\$ 718,748
Deferred revenue	663,883	15,027	678,910
Interest payable	2,250,702	-	2,250,702
Current portion of long-term obligations	3,195,000	-	3,195,000
Current portion of capital lease obligations	725,137	-	725,137
Current portion of sick-leave	307,055	-	307,055
Other current liabilities	738,723	-	738,723
Total current liabilities	8,529,263	85,012	8,614,275
Non-current Liabilities			
Non-current portion of long-term obligation	59,675,000	-	59,675,000
Non-current portion of capital lease obligations	2,832,152	-	2,832,152
Non-current portion of accrued sick leave	453,713	-	453,713
Net pension liability (CERS)	14,217,550	-	14,217,550
Total non-current liabilities	77,178,415	-	77,178,415
Total liabilities	85,707,678	85,012	85,792,690
Deferred inflows			
Pension inflows	1,587,023	-	1,587,023
Total inflows	1,587,023	-	1,587,023
Total liabilities & inflows	\$ 87,294,701	\$ 85,012	\$ 87,379,713
NET POSITION			
Invested in capital assets, net of related debt	17,153,796	487,691	17,641,487
Restricted for:			
Capital projects	437,780	-	437,780
Other	1,169,254	1,328,214	2,497,468
Unrestricted	(11,375,909)	-	(11,375,909)
Total net position	7,384,921	1,815,905	9,200,826
Total liabilities and net position	\$ 94,679,622	\$ 1,900,917	\$ 96,580,539

See accompanying notes to financial statements.

PULASKI COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
DISTRICT WIDE

For the year ended June 30, 2015

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
Instruction	\$ 49,251,439	\$ 24,500	\$ 8,561,503	\$ -	\$ (40,665,436)	\$ -	\$ (40,665,436)
Support services:							
Student	3,598,059	-	18,358	-	(3,579,701)	-	(3,579,701)
Instruction staff	6,378,719	-	730,065	-	(5,648,654)	-	(5,648,654)
District administrative	1,284,095	-	-	-	(1,284,095)	-	(1,284,095)
School administrative	2,995,095	-	82,922	-	(2,912,173)	-	(2,912,173)
Business	730,000	-	33,845	-	(696,155)	-	(696,155)
Plant operation and maintenance	8,347,837	-	-	-	(8,347,837)	-	(8,347,837)
Student transportation	4,800,175	-	29,892	-	(4,770,283)	-	(4,770,283)
Facilities acquisition and construction	3,413	-	-	1,838,563	1,835,150	-	1,835,150
Community service activities	1,045,311	-	1,041,400	-	(3,911)	-	(3,911)
Other	231,928	-	394	-	(231,534)	-	(231,534)
Interest on long-term debt	2,170,236	-	-	-	(2,170,236)	-	(2,170,236)
Total governmental activities	80,836,307	24,500	10,498,379	1,838,563	(68,474,865)	-	(68,474,865)
Business-type Activities							
Food service	5,457,868	329,894	5,207,318	-	-	79,344	79,344
Child Care	657,487	463,215	237,747	-	-	43,475	43,475
Total business-type activities	6,115,355	793,109	5,445,065	-	-	122,819	122,819
Total school district	\$ 86,951,662	\$ 817,609	\$ 15,943,444	\$ 1,838,563	\$ (68,474,865)	\$ 122,819	\$ (68,352,046)
			General Revenues				
			Property taxes		\$ 13,625,675	\$ -	\$ 13,625,675
			Delinquent property tax		302,637	-	302,637
			Motor vehicle taxes		1,877,749	-	1,877,749
			Utility taxes		2,819,906	-	2,819,906
			Other taxes		304,662	-	304,662
			Investment earnings		37,641	2,305	39,946
			State aid formula grants		49,253,296	-	49,253,296
			Loss on sale of fixed assets		12,719	-	12,719
			Miscellaneous		925,740	-	925,740
			Transfers		212,971	(212,971)	-
			Total general revenues		69,372,996	(210,666)	69,162,330
			Change in net position		898,131	(87,847)	810,284
			Net position - beginning		19,940,465	1,903,752	21,844,217
			Prior Period Adjustment		(13,453,675)	-	(13,453,675)
			Net position - ending		\$ 7,384,921	\$ 1,815,905	\$ 9,200,826

See accompanying notes to financial statements.

PULASKI COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS

As of June 30, 2015

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Construction Fund</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
ASSETS					
Cash and cash equivalents	\$ 5,485,134	\$ (333,131)	\$ 713,416	\$ 376,702	\$ 6,242,121
Account Receivable	333,379	1,125,274	-	(90)	1,458,563
Inventory	66,193	-	-	-	66,193
Prepaid Expense	5,000	-	-	497,153	502,153
Total assets	<u>\$ 5,889,706</u>	<u>\$ 792,143</u>	<u>\$ 713,416</u>	<u>\$ 873,765</u>	<u>\$ 8,269,030</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 233,302	\$ 128,260	\$ 275,636	\$ 11,565	\$ 648,763
Deferred revenue	-	663,883	-	-	663,883
Other current liabilities	738,723	-	-	-	738,723
Total liabilities	<u>972,025</u>	<u>792,143</u>	<u>275,636</u>	<u>11,565</u>	<u>2,051,369</u>
Fund Balances					
Restricted:					
Future Construction	-	-	437,780	-	437,780
Other	-	-	-	369,962	369,962
Committed:					
Sick Leave Payable	307,054	-	-	-	307,054
Other	-	-	-	492,238	492,238
Unassigned:	4,610,627	-	-	-	4,610,627
Total fund balances	<u>4,917,681</u>	<u>-</u>	<u>437,780</u>	<u>862,200</u>	<u>6,217,661</u>
Total liabilities and fund balances	<u>\$ 5,889,706</u>	<u>\$ 792,143</u>	<u>\$ 713,416</u>	<u>\$ 873,765</u>	<u>\$ 8,269,030</u>

See accompanying notes to financial statements.

PULASKI COUNTY SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS -
BALANCE SHEET TO THE STATEMENT OF NET POSITION

June 30, 2015

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

Total Fund Balance-Governmental Funds	\$ 6,217,661
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Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental:

Cost of capital	\$ 121,343,819	
Construction in progress	12,484,459	
Accumulated depreciation	(50,247,193)	
Deferred outflow	2,829,507	86,410,592

Long-term liabilities including bonds payable are not due and payable in the current period and therefore are not reported as liabilities in the funds:

Bonds payable	(62,870,000)	
Capital lease payable	(3,557,289)	
Interest payable	(2,250,702)	
Sick leave	(760,768)	
Net pension liability	(14,217,550)	
Deferred inflows	(1,587,023)	<u>(85,243,332)</u>

Total Net Position-Governmental Funds	\$ <u><u>7,384,921</u></u>
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See accompanying notes to financial statements.

PULASKI COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the year ended June 30, 2015

Revenues	<u>General Fund</u>	<u>Special Revenue</u>	<u>Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
From local sources					
Property taxes	\$ 10,731,500	\$ -	\$ -	\$ 3,196,812	\$ 13,928,312
Motor vehicle taxes	1,877,749	-	-	-	1,877,749
Utility taxes	2,819,906	-	-	-	2,819,906
Other taxes	304,662	-	-	-	304,662
Earnings on investments	36,232	-	-	1,409	37,641
Other local revenues	157,734	75,010	-	792,506	1,025,250
State sources					
SEEK	29,954,525	-	-	1,838,563	31,793,088
On Behalf Payments	13,360,404	-	-	588,915	13,949,319
Other	46,542	3,460,746	-	-	3,507,288
Federal - indirect	-	6,962,623	-	-	6,962,623
Total revenues	<u>59,289,254</u>	<u>10,498,379</u>	<u>-</u>	<u>6,418,205</u>	<u>76,205,838</u>
Expenditures					
Instruction	35,932,157	8,728,122	-	375,902	45,036,181
Support services					
Student	3,547,441	18,358	-	2,244	3,568,043
Instruction staff	4,986,354	730,065	-	55,355	5,771,774
District administration	1,275,268	-	-	-	1,275,268
School administration	2,807,935	82,922	-	-	2,890,857
Business	654,627	33,845	-	-	688,472
Plant operation and maintenance	6,317,553	-	-	47,328	6,364,881
Student transportation	3,840,147	29,892	-	26,878	3,896,917
Facilities acquisition and construction	-	-	3,863,475	-	3,863,475
Community service activities	3,911	1,041,400	-	-	1,045,311
Debt service	-	394	-	6,251,628	6,252,022
Total expenditures	<u>59,365,393</u>	<u>10,664,998</u>	<u>3,863,475</u>	<u>6,759,335</u>	<u>80,653,201</u>
Excess (deficit) of revenues over expenditures	<u>(76,139)</u>	<u>(166,619)</u>	<u>(3,863,475)</u>	<u>(341,130)</u>	<u>(4,447,363)</u>
Other Financing Sources (Uses)					
Other financing sources- Not transfers	12,719	-	-	-	12,719
Operating transfers in	648,815	166,619	392,897	5,662,713	6,871,044
Operating transfers out	(1,489,175)	-	-	(5,168,898)	(6,658,073)
Total other financing sources (uses)	<u>(827,641)</u>	<u>166,619</u>	<u>392,897</u>	<u>493,815</u>	<u>225,690</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>(903,780)</u>	<u>-</u>	<u>(3,470,578)</u>	<u>152,685</u>	<u>(4,221,673)</u>
Net change in fund balances	(903,780)	-	(3,470,578)	152,685	(4,221,673)
Fund balance, July 1, 2014	5,821,461	-	3,908,358	709,515	10,439,334
Fund balance, June 30, 2015	<u>\$ 4,917,681</u>	<u>\$ -</u>	<u>\$ 437,780</u>	<u>\$ 862,200</u>	<u>\$ 6,217,661</u>

See accompanying notes to financial statements.

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

For the year ended June 30, 2015

Total net change in fund balances- governmental funds \$ (4,221,673)

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

Governmental funds report capital outlays as expenditures because they use current financial resources. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the period. 697,064

Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position however issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. This is the amount by which bond proceeds exceed principal payments. 3,935,958

In the statement of activities, certain operating expenses such as compensated absences (sick leave), are measured by the amount earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year special termination benefits paid exceed the amounts earned. 230,239

Interest on long-term debt in the statement of activities differs from the amount reported in governmental funds because interest is recorded as an expenditure in the fund when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is the net result of accrued interest on bonds. 4,654

Governmental funds report pension expense in the year paid. However due to measurement date, payments made are reported as deferred outflows in the Statement of Activities. This is the amount by which deferred outflows exceeds pension expense in the period. \$ 251,889

Change in Net Position - Governmental Funds \$ 898,131

See accompanying notes to financial statements.

PULASKI COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS

As of June 30, 2015

ASSETS	<u>Food Service Fund</u>	<u>Child Care Fund</u>	<u>Total</u>
Current Assets			
Cash and cash equivalents	\$ 838,145	\$ 315,193	\$ 1,153,338
Other receivables	165,079	-	165,079
Inventory	94,809	-	94,809
Total current assets	<u>1,098,033</u>	<u>315,193</u>	<u>1,413,226</u>
Noncurrent Assets			
Furniture and equipment	2,418,372	-	2,418,372
Less: Accumulated depreciation	(1,930,681)	-	(1,930,681)
Total noncurrent assets	<u>487,691</u>	<u>-</u>	<u>487,691</u>
Total assets	<u>\$ 1,585,724</u>	<u>\$ 315,193</u>	<u>\$ 1,900,917</u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 59,915	\$ 10,070	\$ 69,985
Deferred Revenue	15,027	-	15,027
Total current liabilities	<u>74,942</u>	<u>10,070</u>	<u>85,012</u>
Total liabilities	<u>74,942</u>	<u>10,070</u>	<u>85,012</u>
NET POSITION			
Invested in capital assets, net of related debt	487,691	-	487,691
Restricted for:			
Net Position	928,282	305,123	1,233,405
Inventory	94,809	-	94,809
Total net position	<u>1,510,782</u>	<u>305,123</u>	<u>1,815,905</u>
Total liabilities and net position	<u>\$ 1,585,724</u>	<u>\$ 315,193</u>	<u>\$ 1,900,917</u>

See accompanying notes to financial statements.

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

For the year ended June 30, 2015

	Food Service Fund	Child Care Fund	Total
Operating Revenues			
Service sales	\$ 324,690	\$ 463,215	\$ 787,905
Other operating revenue	5,204	-	5,204
Total operating revenues	<u>329,894</u>	<u>463,215</u>	<u>793,109</u>
Operating Expenses			
Salaries and wages	2,295,191	599,499	2,894,690
Professional and contract services	54,022	17,708	71,730
Supplies and materials	3,013,210	37,431	3,050,641
Depreciation	75,504	-	75,504
Other operating expenses	19,941	2,849	22,790
Total operating expenses	<u>5,457,868</u>	<u>657,487</u>	<u>6,115,355</u>
Operating income (loss)	<u>(5,127,974)</u>	<u>(194,272)</u>	<u>(5,322,246)</u>
Non-operating revenues (expenses)			
Federal grants	4,964,469	187,171	5,151,640
State grants	242,849	50,576	293,425
Interest income	2,305	-	2,305
Total non-operating revenues (expenses)	<u>5,209,623</u>	<u>237,747</u>	<u>5,447,370</u>
Other Financing Sources (Uses)			
Operating transfers out	(212,971)	-	(212,971)
Total other financing sources (uses)	<u>(212,971)</u>	<u>-</u>	<u>(212,971)</u>
Changes in net position	(131,322)	43,475	(87,847)
Total net position, July 1, 2014	<u>1,642,104</u>	<u>261,648</u>	<u>1,903,752</u>
Total net position, June 30, 2015	<u>\$ 1,510,782</u>	<u>\$ 305,123</u>	<u>\$ 1,815,905</u>

See accompanying notes to financial statements.

PULASKI COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the year ended June 30, 2015

	Food Service Fund	Child Care Fund	Total
Cash Flows from Operating Activities			
Cash received from lunchroom sales	\$ 345,355	\$ 496,848	\$ 842,203
Cash received from other activities	5,204	-	5,204
Cash payments to employees for services	(2,295,191)	(599,499)	(2,894,690)
Cash payments to suppliers for goods and services	(3,006,173)	(52,984)	(3,059,157)
Cash payments for other operating activities	(19,941)	(2,849)	(22,790)
Net cash from operating activities	(4,970,746)	(158,484)	(5,129,230)
Cash Flows from Capital Financing Activities			
Acquisition of capital assets	(45,152)	-	(45,152)
Net cash from capital financing activities	(45,152)	-	(45,152)
Cash Flows from Noncapital Financing Activities			
Non-operating grants received	5,207,318	237,747	5,445,065
Transfers	(212,971)	-	(212,971)
Net cash from noncapital financing activities	4,994,347	237,747	5,232,094
Cash Flows from Investing Activities			
Interest on investments	2,305	-	2,305
Net cash flows from investing activities	2,305	-	2,305
Net increase in cash and cash equivalents	(19,246)	79,263	60,017
Cash and cash equivalents - beginning	857,391	235,930	1,093,321
Cash and cash equivalents - ending	\$ 838,145	\$ 315,193	\$ 1,153,338
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ (5,127,974)	\$ (194,272)	\$ (5,322,246)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Depreciation	75,504	-	75,504
Changes in assets and liabilities:			
Receivables	22,444	33,633	56,077
Inventory	94,378	-	94,378
Deferred Revenue	(1,779)	-	(1,779)
Accounts payable	(33,319)	2,155	(31,164)
Net Cash Provided by Operating Activities	\$ (4,970,746)	\$ (158,484)	\$ (5,129,230)
Schedule of Non-Cash Transactions			
Donated Commodities	\$ 330,600	\$ -	\$ 330,600
On Behalf Payments	191,928	50,576	242,504

See accompanying notes to financial statements.

PULASKI COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS

June 30, 2015

ASSETS	<u>Student Activity Funds</u>	<u>Pulaski Co ABE Activity</u>	<u>PCPS Day Treatment Activity</u>	<u>School Based Board Allocations</u>
Current Assets				
Cash	\$ 448,714	\$ 6,515	\$ 125	\$ 35,278
Total assets	<u>\$ 448,714</u>	<u>\$ 6,515</u>	<u>\$ 125</u>	<u>\$ 35,278</u>
FUND BALANCE				
Restricted	<u>\$ 448,714</u>	<u>\$ 6,515</u>	<u>\$ 125</u>	<u>\$ 35,278</u>
Total net position and liabilities	<u>\$ 448,714</u>	<u>\$ 6,515</u>	<u>\$ 125</u>	<u>\$ 35,278</u>

See accompanying notes to financial statements.

PULASKI COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE- FIDUCIARY FUNDS

For the year ended June 30, 2015

	<u>Student Activity Funds</u>
Additions	
Local Revenues	\$ 1,560,860
Deduction	
Instructional	<u>(1,607,287)</u>
Change in revenues over expenses	<u>(46,427)</u>
Fund balance, July 1, 2014 (restated)	495,141
Fund balance, June 30, 2015	<u><u>\$ 448,714</u></u>

See accompanying notes to financial statements.

PULASKI COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

For the fiscal year ending June 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Pulaski County School District (District) is the basic level of government, which has financial accountability and control over all activities related to the public school education within the jurisdiction of the Pulaski County School District. The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. Board members are elected by the public and have decision-making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and have primary financial accountability for fiscal matters. The District is not included in any other governmental "reporting entity" as defined by GASB pronouncements. In accordance with GASB Standard 14, financial transactions of the following component unit are incorporated in the accompanying financial statements.

Pulaski County School District Finance Corporation – The Pulaski County School District resolved to authorize the establishment of the Pulaski County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the District for financing the costs of school building facilities. The board members of the Pulaski County School District also comprise the Corporation's Board of Directors.

Basis of Presentation

District-wide Financial Statements:

The statement of Net Position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The District-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular 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. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting:

The accounts of the District are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues and expenditures or expenses as appropriate. The various funds are summarized by type in the financial statements. The District uses the following funds:

Governmental Fund Types:

General Fund - The General Fund is the primary operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. This is always a major fund of the district.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of grants from local, state and federal revenue sources that are legally restricted to expenditures for specified purposes. Project accounting is employed to maintain integrity for the various sources of funds. Federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. KDE requires this fund to be a major fund.

Construction Fund – The Construction Fund is used to account for all resources including proceeds from bond sales for the authorized acquisition and construction of capital facilities.

Capital Outlay Fund - The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives \$100 per the District's adjusted average daily attendance restricted for use in financing projects as identified in the District's facility plan. This is a major fund.

Building Fund - The Facility Support Program of Kentucky Fund (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, as applicable. Funds may be used for projects identified in the District's facility plan.

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.

Proprietary Fund Type

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

Child Care - The Child Care Fund accounts for the funds generated at individual schools providing after school care for children.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting (Continued)

Fiduciary Fund Type

The School Activity Funds are fiduciary funds used to account for student activity organizations in accordance with the Accounting Procedures for Kentucky School Activity Funds. Financial statements of groups and organizations associated with the school system but not originated within the District (e.g., Band Boosters, Parent-Teacher Associations, etc.) are not included within school activity funds.

Measurement Focus

The accounting and reporting treatment applied to a fund is determined by its measurement focus. 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. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds include a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total assets. 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.

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 that are presented in the fund financial statements use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting.

Exchange and Non-exchange transactions – There are two types of transactions: exchange and non-exchange. The method of determining revenue recognition (i.e., accrual v. modified accrual) depends upon the type of exchange as well as source of revenue. Exchange transactions occur when each party receives essentially equal value. Non-exchange transactions occur when one party receives value without directly giving equal value in return.

Modified Accrual - Revenue from non-exchange transactions (e.g., grants, entitlements and donations) must be available to be recognized. These sources of revenue are recognized in the fiscal year in which all eligibility requirements have been satisfied. Under the modified accrual basis of accounting, revenues from exchange transactions are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For the District, “available” means within sixty days of June 30. Property tax revenue is recognized in the fiscal year for which the taxes are levied. Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. Under the modified basis of accounting, 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Accrual - Under the accrual basis of accounting, revenues are recorded when an exchange takes place. Expenses are recognized at the time they are incurred.

Encumbrance Accounting

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Kentucky Law, appropriations lapse at fiscal year-end. Encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the proprietary fund type considers highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

Inventories

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

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

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

Budget

The District is required by state law to adopt a budget annually. The budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP). Once the District approves the budget, it can be amended. Budget appropriations lapse at year-end.

Fund Balances

The School Board has implemented GASB Statement 54 employing new terminology and classifications for fund balance items.

Nonspendable Fund Balance includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable. At June 30, 2015, the District did not have a non-spendable fund balance.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2015, the District had \$437,780 restricted in the Construction Fund and \$369,962 in the Capital Outlay Fund.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances (Continued)

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District had \$307,054 committed for sick leave payable and \$492,238 committed in the District Activity Fund at June 30, 2015.

Assigned fund balances are those amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrances of funds. Assigned fund balances also include (a) all remaining amounts (except for negative amounts balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for specific purposes.

Unassigned fund balance is the residual classification for the general fund. This classification represents a fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

Use of Estimates

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

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.

NOTE 2. SAFEGUARDING CASH AND CASH EQUIVALENTS

The District's cash and cash equivalents consist of amounts deposited in interest bearing accounts. The depository bank deposits for safekeeping and trust with the District's third party agent approved pledged securities to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

At June 30, 2015, the carrying amount of the District's combined deposits (cash and cash equivalents) excluding school activity funds was \$9,288,535 and the combined bank balances totaled \$9,771,553. The bank balances were covered by the combination of FDIC insurance and collateral held by the District's agent in the District's name at June 30, 2015.

NOTE 2. SAFEGUARDING CASH AND CASH EQUIVALENTS (CONTINUED)

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the county's deposits may not be returned. The District does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). All deposits meet current guidelines.

The cash deposits held at financial institutions can be categorized according to three levels of risk. These three levels of risk are as follows:

Category 1 Deposits that are insured or collateralized with securities held by the District or by its agent in the District's name.

Category 2 Deposits that are collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3 Deposits which are not collateralized or insured.

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

Statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. agencies, municipal securities and repurchase agreements. The investment pool and repurchase agreements are considered nonparticipating contracts. The District has a repurchase agreement whereby daily bank deposits sweep to an interest bearing overnight account. Such agreements can be categorized according to three levels of risk. These three levels or risk are:

Category 1 Investments that are insured or collateralized with securities held by the District or by its agent in the District's name.

Category 2 Investments that are collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3 Uninsured and unregistered investments held by the counter party, its trust or its agent, but not in the District's name.

The District's investment in repurchase agreements is classified by risk level as Category 2.

NOTE 3. PROPERTY TAXES

Revenues and other governmental fund financial resource increments (i.e. bond issue proceeds) are recognized in the accounting period in which they become susceptible to accrual; that is, when they become measurable and available to finance expenditures of the fiscal periods. Property taxes collected are recorded as revenues in the fund for which they were levied. The assessment date of the property taxes is January 1 of each year. The levy is normally set during the September board meeting. Assuming property tax bills are timely mailed, collection date is the period from October 1 through December 31. Collections from the period October 1 through October 31 receive a two percent discount. The due date is the period from November 1 through December 31 in which no discount is allowed. Property taxes received subsequent to January 1 are considered to be delinquent and subject to a lien filed by the County Attorney.

NOTE 4. 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 Unreduced retirement Reduced retirement	Before September 1, 2008 27 years service or 65 years old At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date Unreduced retirement Reduced retirement	September 1, 2008 - December 31, 2013 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 Unreduced retirement Reduced retirement	After December 31, 2013 At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87 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.

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

NOTE 4. RETIREMENT PLANS (CONTINUED)

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 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.

NOTE 4. RETIREMENT PLANS (CONTINUED)

University employees are required to contribute 9.895% of their salaries. KRS 161.580 allows each university to reduce the contribution of its employees by 2.215%; therefore, university employees contribute 7.68% of their salary to KTRS.

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

Medical Insurance Plan

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

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

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

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

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

District's proportionate share of the CERS net pension liability	\$ 14,217,550
Commonwealth’s proportionate share of the KTRS net pension liability associated with the District	208,474,524
	<u>\$ 222,692,074</u>

NOTE 4. RETIREMENT PLANS (CONTINUED)

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

The District’s proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2014, the District’s proportion was .438% percent.

For the year ended June 30, 2015, the District recognized pension expense of \$1,616,217 related to CERS and \$10,215,676 related to KTRS. The District also recognized revenue of \$10,215,676 for KTRS support provided by the Commonwealth. At June 30, 2014, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Change of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	1,587,023
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
District contribution subsequent to the measurement date	<u>1,868,106</u>	<u>-</u>
Total	<u>\$ 1,868,106</u>	<u>\$ 1,587,023</u>

\$1,868,106 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:

Year Ended June 30:	
2016	\$ (317,405)
2017	(317,405)
2018	(317,405)
2019	(317,404)
2020	<u>(317,404)</u>
	<u>\$ (1,587,023)</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:

Inflation	3.5 percent
Salary increases	4.5 percent, average, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

NOTE 4. RETIREMENT PLANS (CONTINUED)

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:

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	100.00%	

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.

NOTE 4. RETIREMENT PLANS (CONTINUED)

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 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:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Pulaski County CERS	\$ 18,709,345	\$ 14,217,550	\$ 10,248,944

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 5. LIABILITY FOR COMPENSATED ABSENCES

Certified employees are awarded a maximum of 10 days of sick leave annually, based upon employment contract terms and District policy. Sick leave is accrued without limitation. Upon retirement from the school system, a certified employee receives from the District an amount equal to 30% of the value of accumulated sick leave at the current daily rate of pay. At June 30, 2015, the estimate for those employees over the age of 55 with 5 or more years of service is \$760,768, in which \$307,055 is short-term and \$453,713 is long term, both reported on the District-wide financial statements.

NOTE 6. CAPITAL ASSETS

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

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

NOTE 6. CAPITAL ASSETS

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 services equipment	10-12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

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NOTES TO THE FINANCIAL STATEMENTS
PULASKI COUNTY SCHOOL DISTRICT
JUNE 30, 2015

NOTE 6. CAPITAL ASSETS (CONTINUED)

Governmental Assets	June 30, 2014	Additions	Retirements	June 30, 2015
Cost				
Land	\$ 3,345,670	\$ -	\$ -	\$ 3,345,670
Land Improvements	133,171	-	-	133,171
Buildings & Improvements	96,512,170	-	-	96,512,170
Technology Equipment	8,167,022	-	-	8,167,022
Other	1,197,194	48,789	-	1,245,983
Vehicles(Restated)	11,924,603	15,200	-	11,939,803
Construction in Progress	8,621,150	3,863,309	-	12,484,459
Totals at historical cost	\$ 129,900,980	\$ 3,927,298	\$ -	\$ 133,828,278
Less: Accumulated Depreciation				
Land Improvements	\$ 21,085	\$ 6,659	\$ -	\$ 27,744
Buildings & Improvements	31,377,623	2,145,325	-	33,522,948
Technology Equipment	7,754,530	262,132	-	8,016,662
Other	994,022	37,161	-	1,031,183
Vehicles	6,869,699	778,957	-	7,648,656
Total accumulated depreciation	\$ 47,016,959	\$ 3,230,234	\$ -	\$ 50,247,193
NET	\$ 82,884,021	\$ 697,064	\$ -	\$ 83,581,085
Food Service				
Cost				
Technology Equipment	\$ 56,057	\$ -	\$ -	\$ 56,057
Vehicles	27,330	-	-	27,330
General Equipment	2,289,833	45,152	-	2,334,985
Totals at historical cost	2,373,220	45,152	\$ -	2,418,372
Less: Accumulated Depreciation				
Technology Equipment	\$ 56,057	\$ -	\$ -	\$ 56,057
Vehicles	27,330	-	-	27,330
General Equipment	1,771,789	75,505	-	1,847,294
Total accumulated depreciation	\$ 1,855,176	\$ 75,505	\$ -	\$ 1,930,681
NET	\$ 518,044	\$ (30,353)	\$ -	\$ 487,691

NOTE 7. GENERAL LONG-TERM DEBT AND LEASE OBLIGATIONS

The District is required to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Pulaski County School District Finance Corporation to construct school facilities. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund in accordance with state law.

The issue date, original amounts of the issue and interest rates are summarized below:

<u>Bond Issue</u>	<u>Original Amount</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	2014			2015
				<u>Outstanding Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding Balance</u>
Issue of 2004 R	1,365,000	9/1/2015	2-3.75%	\$ 335,000	\$ -	\$ 165,000	\$ 170,000
Issue of 2006	4,540,000	4/1/2026	3.75-4.25%	4,195,000	-	4,195,000	-
Issue of 2006 R	940,000	7/1/2016	3.75-4.25%	305,000	-	100,000	205,000
Issue of 2007	3,125,000	6/1/2027	3.5-3.7%	2,270,000	-	140,000	2,130,000
Issue of 2009	24,435,000	2029	3.5-4.25%	23,905,000	-	370,000	23,535,000
Issue of 2009 BR	4,660,000	2018	2.0-3.0%	3,205,000	-	475,000	2,730,000
Issue of 2009 R	2,460,000	10/1/2020	2.00-3.25%	1,955,000	-	250,000	1,705,000
QZAB	1,524,865	5/30/2015	N/A	127,072	-	127,072	-
Issue 2010	9,340,000	5/1/2022	1.00-2.75%	8,270,000	-	580,000	7,690,000
Issue of 2011	9,295,000	3/1/2031	1.00-4.250%	8,670,000	-	260,000	8,410,000
Issue of 2012	3,185,000	1/1/2032	N/A	3,050,000	-	75,000	2,975,000
Issue of 2012RA	1,940,000	8/1/2023	.50-2.0%	1,915,000	-	160,000	1,755,000
Issue of 2012R	1,600,000	5/1/2024	N/A	1,540,000	-	125,000	1,415,000
Issue of 2014	5,950,000	5/1/1934	1.10-4.00%	5,950,000	-	55,000	5,895,000
Issue of 2015	4,500,000	4/1/2026	1.00-2.35%	-	4,500,000	245,000	4,255,000
				\$ 65,692,072	\$ 4,500,000	\$ 7,322,072	\$ 62,870,000

The District has entered into “participation agreements” with the School Facilities Commission. The Kentucky General Assembly created the Commission for the purposes of assisting local school districts in meeting school construction needs. The table on the following page sets forth the amount to be paid by the District and the Commission for each year until maturity of all bonds issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding. The District is liable for all issues; however, School Facilities Construction Commission participates by contributing those portions of debt that are appropriated in the State’s biennial budget.

NOTE 7. GENERAL LONG-TERM DEBT AND LEASE OBLIGATIONS (CONTINUED)

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

YEAR	PULASKI COUNTY SCHOOL DISTRICT		SCHOOL FACILITIES CONSTRUCTION		TOTAL
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
2016	\$ 2,768,866	\$ 1,977,278	\$ 426,134	\$ 158,180	\$ 5,330,458
2017	2,826,037	1,909,210	418,963	145,653	5,299,863
2018	2,898,109	1,841,230	401,891	133,254	5,274,484
2019	2,974,989	1,767,185	380,011	120,973	5,243,158
2020	3,048,288	1,693,653	281,712	110,076	5,133,729
2021	3,133,068	1,608,557	291,932	99,856	5,133,413
2022	3,217,322	1,523,294	302,678	89,112	5,132,406
2023	3,316,164	1,428,303	313,836	77,952	5,136,255
2024	3,419,609	1,322,701	315,391	66,399	5,124,100
2025	3,525,650	1,214,932	294,350	54,618	5,089,550
2026	3,653,564	1,088,549	306,436	42,532	5,091,081
2027	3,825,899	952,785	319,101	29,867	5,127,652
2028	3,989,382	792,115	115,618	16,674	4,913,789
2029	4,154,747	624,361	120,253	12,040	4,911,401
2030	2,911,018	449,325	48,982	7,195	3,416,520
2031	3,029,195	332,252	50,805	5,373	3,417,625
2032	1,819,569	208,504	30,431	3,471	2,061,975
2033	1,893,504	145,569	31,496	2,406	2,072,975
2034	1,982,401	79,296	32,599	1,304	2,095,600
TOTAL	\$ 58,387,381	\$ 20,959,099	\$ 4,482,619	\$ 1,176,935	\$ 85,006,034

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NOTE 7. GENERAL LONG-TERM DEBT AND LEASE OBLIGATIONS (CONTINUED)

The issue date, original amounts of the issue and interest rates are summarized below:

<u>KISTA Issue</u>	<u>Original Amount</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	2014			2015
				<u>Outstanding Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding Balance</u>
2005	730,461	3/1/2015	3-3.625%	\$ 69,897	\$ -	69,897	\$ -
2006	778,099	3/1/2016	3-3.4%	147,887	-	72,494	75,393
2006B	832,676	3/1/2017	3.5-3.875%	257,157	-	92,939	164,218
2008	860,032	3/1/2018	3.0-3.75%	347,097	-	89,877	257,220
2009	759,027	3/1/2019	2.0-3.90%	379,094	-	76,715	302,379
2009B	741,801	3/1/2020	2.0-3.60%	442,331	-	72,772	369,559
2011	837,429	3/1/2021	1.0-4.0%	575,598	-	80,695	494,903
2012	627,619	3/1/2022	2.-2.65%	488,685	-	59,337	429,348
2013	976,247	3/1/2023	2%	869,237	-	108,741	760,496
2014	789,192	3/1/2024	2.0-3.0%	789,192	-	85,419	703,773
TOTALS				\$ 4,366,175	\$ -	\$ 808,886	\$ 3,557,289

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

**PULASKI COUNTY SCHOOLS
SCHEDULE OF KISTA PAYMENTS
AS OF JUNE 30, 2015**

<u>YEAR</u>	PULASKI COUNTY SCHOOL DISTRICT		<u>TOTAL</u>
	<u>PRINCIPAL</u>	<u>INTEREST</u>	
2016	\$ 725,137	\$ 98,062	\$ 823,199
2017	637,229	77,043	714,272
2018	553,727	58,744	612,471
2019	470,587	43,090	513,677
2020	392,057	30,027	422,084
2021	317,992	19,563	337,555
2022	227,298	11,258	238,556
2023	159,635	5,936	165,571
2024	73,627	2,209	75,836
TOTAL	\$ 3,557,289	\$ 345,932	\$ 3,903,221

NOTE 8. OPERATING FUND TRANSFERS

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Matching	General	Special Revenue	KETS Match	\$ 166,619
Operating	General	Debt Service	KISTA Bus B	929,659
Operating	General	Construction	Fund Projects	392,897
Operating	Building	Debt Service	Bond payment	4,580,507
Operating	Capital Outlay	Debt Service	Bond payments	152,547
Operating	Capital Outlay	General Fund	Capital Outlay	435,844
Operating	Food Service	General Fund	Indirect Cost	212,971
Total Transfers				\$ 6,871,044

NOTE 9. DEFICIT OPERATING BALANCES

There are no funds of the District that currently have a deficit fund balance/Net Position. However, the following funds have operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of fund balance/net position:

General Fund	(903,780)
Construction Fund	(3,470,578)
Building Fund	(\$269,467)
Food Service	(\$131,322)

NOTE 10. RISK MANAGEMENT

Liability Insurance Coverage

The District is exposed to various risks related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District has commercial insurance through Ohio Casualty. The District pays an annual premium for coverage.

Health Care Coverage

Full-time employees of the District are covered by the State administered medical insurance plan. The State contributes a variable amount to each employee's account based upon the employees' plan choice. Medical insurance coverage paid by the State on behalf of District employees has been recorded as a revenue and expenditure in the General Fund. Under COBRA, employers are mandated to notify Ceridian Benefits Services of terminated employees. Ceridian Benefit Services then notifies terminated employees of available continuing insurance coverage. Failure to notify Ceridian Benefits Services of this requirement can put the District at risk of paying the premiums.

Worker's Compensation

The District participates with Kentucky Employers' Mutual Insurance. Contributions to the Worker's Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount.

NOTE 10. RISK MANAGEMENT

Unemployment Insurance

The District obtains unemployment insurance coverage through the Kentucky Board of Education's Insurance Trust Unemployment Compensation Fund; however, the risk has not been transferred to such fund.

NOTE 11. COMMITMENTS AND CONTINGENCIES

Litigation

The Board of Education is the defendant in a number of lawsuits arising principally in the normal course of operations. The Board is covered by insurance against this type of liability. At this time, the administration is unable to make an evaluation regarding the likelihood of an unfavorable outcome or any possible financial implication to the Board of Education.

Grant Programs

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2015 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements.

NOTE 12. BUDGETARY DISCLOSURE REQUIREMENTS

Budgetary comparisons for the General Fund and Special Revenue Fund are disclosed as required supplementary information. "On behalf" contributions made by the Commonwealth of Kentucky were recorded in the District's records as revenues and expenditures. The purpose of the policy change was to conform to requirements of the GASB 34 reporting model. The District's budget appropriations did not reflect this change in policy.

NOTE 13. ON-BEHALF PAYMENTS

The District receives on-behalf payments from the State of Kentucky for items including retirement and insurance. The amount received for the fiscal year ended June 30, 2015 was \$14,191,823. These payments were recorded in the General Fund.

General Fund	\$	13,360,404
Debt Service		588,915
Food Service		191,928
Child Care		50,576
Total	\$	<u>14,191,823</u>

NOTE 14. CHANGE IN ACCOUNTING PRINCIPLE AND RELATED CHANGES TO CERTAIN BEGINNING BALANCES

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

GASB 68 required retrospective application. Since the District only presents one year of financial information, the beginning net pension was adjusted to reflect the retrospective application. The adjustment resulted in a \$14,188,356 reduction in beginning net position on the Statement of Activities and an increase of \$1,899,106 of deferred outflows of resources – District contributions subsequent to the measurement date.

NOTE 15. PRIOR PERIOD ADJUSTMENT

In addition to the above adjustment, the Government-Wide Statement of Activities beginning balance decreased due to the School Based Board Allocations fund being reclassified as a Fiduciary Fund. Also a timing difference in buses received and KISTA leases delivered.

Net Position July 1, 2014	\$ 19,940,465
Prior Period Adjustment	
CER Net Pension adjustment	(14,188,356)
Reclassifying fund	(35,907)
KISTA correction	<u>770,588</u>
Restated Net Position July 1, 2014	<u>\$ 6,486,790</u>

PULASKI COUNTY SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE

For the year ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)	Variance % Favorable (Unfavorable)
REVENUES					
From local sources					
Taxes					
Property taxes	\$ 10,550,000	\$ 10,550,000	\$ 10,731,500	\$ 181,500	1.72%
Motor vehicle taxes	1,600,000	1,600,000	1,877,749	277,749	17.36%
Utility taxes	3,100,000	3,100,000	2,819,906	(280,094)	-9.04%
Other taxes	100,000	100,000	304,662	204,662	204.66%
Earnings on investments	20,000	20,000	36,232	16,232	81.16%
Other local revenues	245,647	245,647	157,734	(87,913)	-35.79%
State Sources					
SEEK	30,211,887	30,211,887	29,954,525	(257,362)	-0.85%
On Behalf	-	-	13,360,404	13,360,404	100.00%
Other	11,000	11,000	46,542	35,542	323.11%
Other	15,000	15,000	12,719	(2,281)	-15.21%
Inter-fund transfers	120,000	120,000	648,815	528,815	440.68%
Beginning Balance	5,500,000	5,500,000	5,821,461	321,461	5.84%
Less On-Behalf Payments			(13,360,404)	(13,360,404)	
TOTAL REVENUES	<u>51,473,534</u>	<u>51,473,534</u>	<u>52,411,845</u>	<u>938,311</u>	<u>1.82%</u>
EXPENDITURES					
Instructional	26,049,320	26,049,320	35,932,157	(9,882,837)	-37.94%
Student services					
Student	3,546,227	3,546,227	3,547,441	(1,214)	-0.03%
Instructional staff	2,073,062	2,073,062	4,986,354	(2,913,292)	-140.53%
District administrative	1,597,372	1,597,372	1,275,268	322,104	20.16%
School administrative	2,484,051	2,484,051	2,807,935	(323,884)	-13.04%
Business	608,529	608,529	654,627	(46,098)	-7.58%
Plant operation and maintenance	5,141,371	5,141,371	6,317,553	(1,176,182)	-22.88%
Student transportation	4,015,199	4,015,199	3,840,147	175,052	4.36%
Community Services	-	-	3,911	(3,911)	100.00%
Inter-fund transfers	1,200,000	1,200,000	1,489,175	(289,175)	-24.10%
Contingency	4,758,403	4,758,403	-	4,758,403	100.00%
Less On-Behalf Payments			(13,360,404)	13,360,404	
TOTAL EXPENDITURES	<u>51,473,534</u>	<u>51,473,534</u>	<u>47,494,164</u>	<u>3,979,370</u>	<u>7.73%</u>
Excess (Deficit) of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,917,681</u>	<u>\$ 4,917,681</u>	<u>9.55%</u>

NOTE: BUDGET INFORMATION IS DERIVED FROM THE DISTRICT'S ANNUAL FINANCIAL REPORT, WHICH MAY VARY FROM THE BASIC FINANCIAL STATEMENTS. THE VARIATIONS ARE PRIMARILY DUE TO PRESENTATION OF OTHER FINANCING SOURCES (USES) OF FUNDS AND TRANSFERS.

PULASKI COUNTY SCHOOL DISTRICT
SPECIAL FUND
BUDGETARY COMPARISON SCHEDULE

For the year ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)	Variance % Favorable (Unfavorable)
REVENUES					
From local sources					
Other local revenues	\$ -	\$ -	\$ 75,010	\$ 75,010	100.00%
Intergovernmental - state	2,693,004	3,129,948	3,460,746	330,798	10.57%
Intergovernmental - Federal	5,375,744	5,973,260	6,962,623	989,363	16.56%
Inter-fund transfers	200,000	200,000	166,619	(33,381)	-16.69%
TOTAL REVENUES	<u>8,268,748</u>	<u>9,303,208</u>	<u>10,664,998</u>	<u>1,361,790</u>	<u>14.64%</u>
EXPENDITURES					
Instructional	\$ 6,596,932	\$ 7,518,153	\$ 8,728,122	\$ (1,209,969)	-16.09%
Student services:					
Student	-	-	18,358	(18,358)	100.00%
Instructional staff	698,002	704,616	730,065	(25,449)	-3.61%
School administrative	-	-	82,922	(82,922)	100.00%
Business	-	-	33,845	(33,845)	100.00%
Student transportation	-	-	29,892	(29,892)	100.00%
Community services	973,814	943,484	1,041,400	(97,916)	-10.38%
Debt service	-	-	394	(394)	100.00%
TOTAL EXPENDITURES	<u>8,268,748</u>	<u>9,166,253</u>	<u>10,664,998</u>	<u>(1,498,745)</u>	<u>-16.35%</u>
Excess (Deficit) of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ 136,955</u>	<u>\$ -</u>	<u>\$ (136,955)</u>	<u>-1.71%</u>

NOTE: BUDGET INFORMATION IS DERIVED FROM THE DISTRICT'S ANNUAL FINANCIAL REPORT, WHICH MAY VARY FROM THE BASIC FINANCIAL STATEMENTS. THE VARIATIONS ARE PRIMARILY DUE TO PRESENTATION OF OTHER FINANCING SOURCES (USES) OF FUNDS AND TRANSFERS.

**SCHEDULE OF PULASKI COUNTY DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
Kentucky Teachers Retirement Systems
Last 10 Fiscal Years*
(Dollar amounts in thousands)**

	2014
District's proportion of the net pension liability (asset)	0.000%
District's proportionate share of the net pension liability (asset)	\$ -
State's proportionate share of the net pension liability (asset) associated with the District	208,475
Total	\$ 208,475
District's covered-employee payroll	\$ 32,793
District's proportionate share of the net pension liability (asset as a percentage of its covered-employee payroll)	0.00%
Plan fiduciary net position as a percentage of the total pension liability	45.59%

* The amounts presented for each fiscal year were determined as of June 30.
Schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.

**SCHEDULE OF PULASKI COUNTY DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY**

Kentucky Teachers Retirement Systems

Last 10 Fiscal Years*

(Dollar amounts in thousands)

	<u>2014</u>
Contractually required contributions	1,200
Contributions in relation to the	
Contractually required contribution	<u>(1,200)</u>
Contribution deficiency (excess)	<u>\$ -</u>
 District's covered-employee payroll	 \$ 32,793
 Contributions as a percentage of covered- employee payroll	 3.66%

* The amounts presented for each fiscal year were determined as of June 30.
Schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.

**SCHEDULE OF PULASKI COUNTY DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
County Retirement Systems
Last 10 Fiscal Years*
(Dollar amounts in thousands)**

	2014
District's proportion of the net pension liability (asset)	0.438%
District's proportionate share of the net pension liability (asset)	\$ 14,218
State's proportionate share of the net pension liability (asset) associated with the District	-
Total	\$ 14,218
 District's covered-employee payroll	 \$ 13,215
District's proportionate share of the net pension liability (asset as a percentage of its covered-employee payroll)	 107.59%
Plan fiduciary net position as a percentage of the total pension liability	66.80%

* The amounts presented for each fiscal year were determined as of June 30.
Schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.

**SCHEDULE OF PULASKI COUNTY DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
County Retirement Systems
Last 10 Fiscal Years*
(Dollar amounts in thousands)**

	2014
Contractually required contributions	1,868
Contributions in relation to the Contractually required contribution	(1,868)
Contribution deficiency (excess)	\$ -
 District's covered-employee payroll	 \$ 13,215
 Contributions as a percentage of covered- employee payroll	 14.14%

* The amounts presented for each fiscal year were determined as of June 30.
Schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.

PULASKI COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS

As of June 30, 2015

	<u>Building Fund</u>	<u>Capital Outlay Fund</u>	<u>District Activity Fund</u>	<u>Debt Service Fund</u>	<u>Total Non-Major Funds</u>
ASSETS					
Cash and cash equivalents	\$ (497,153)	\$ 369,962	\$ 503,803	\$ 90	\$ 376,702
Other receivables	-	-	-	(90)	(90)
Prepaid	497,153	-	-	-	497,153
Total assets	<u>\$ -</u>	<u>\$ 369,962</u>	<u>\$ 503,803</u>	<u>\$ -</u>	<u>\$ 873,765</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ -	\$ -	\$ 11,565	\$ -	\$ 11,565
Total liabilities	<u>-</u>	<u>-</u>	<u>11,565</u>	<u>-</u>	<u>11,565</u>
Fund Balances					
Restricted:					
Other	-	369,962	-	-	369,962
Committed					
Other	-	-	492,238	-	492,238
Total fund balances	<u>-</u>	<u>369,962</u>	<u>492,238</u>	<u>-</u>	<u>862,200</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 369,962</u>	<u>\$ 503,803</u>	<u>\$ -</u>	<u>\$ 873,765</u>

PULASKI COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS

For the year ended June 30, 2015

Revenues	<u>Building Fund</u>	<u>Capital Outlay Fund</u>	<u>District Activity</u>	<u>Debt Service Fund</u>	<u>Total Non-major Govt. Funds</u>
From local sources					
Property taxes	\$ 3,196,812	\$ -	\$ -	\$ -	\$ 3,196,812
Earning on Investments	-	-	1,409	-	1,409
Other local revenues	-	-	792,506	-	792,506
State sources					
SEEK	1,114,228	724,335	-	-	1,838,563
On Behalf	-	-	-	588,915	588,915
Total revenues	<u>4,311,040</u>	<u>724,335</u>	<u>793,915</u>	<u>588,915</u>	<u>6,418,205</u>
Expenditures					
Instruction	-	-	375,902	-	375,902
Support services					
Student Support	-	-	2,244	-	2,244
Instructional Staff	-	-	55,355	-	55,355
Plant operation and maintenance	-	-	47,328	-	47,328
Student Transportation	-	-	26,878	-	26,878
Debt service	-	-	-	6,251,628	6,251,628
Total expenditures	<u>-</u>	<u>-</u>	<u>507,707</u>	<u>6,251,628</u>	<u>6,759,335</u>
Excess (deficit) of revenues over expenditures	<u>4,311,040</u>	<u>724,335</u>	<u>286,208</u>	<u>(5,662,713)</u>	<u>(341,130)</u>
Other Financing Sources (Uses)					
Operating transfers in	-	-	-	5,662,713	5,662,713
Operating transfers out	(4,580,507)	(588,391)	-	-	(5,168,898)
Total other financing sources (uses)	<u>(4,580,507)</u>	<u>(588,391)</u>	<u>-</u>	<u>5,662,713</u>	<u>493,815</u>
Net change in fund balances	(269,467)	135,944	286,208	-	152,685
Fund balance, July 1, 2014	269,467	234,018	206,030	-	709,515
Fund balance, June 30, 2015	<u>\$ -</u>	<u>\$ 369,962</u>	<u>\$ 492,238</u>	<u>\$ -</u>	<u>\$ 862,200</u>

PULASKI COUNTY SCHOOL DISTRICT
PULASKI COUNTY HIGH SCHOOL ACTIVITY FUND
ALL FUNDS COMBINED
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

For The Year Ending June 30, 2015

	Fund Balance June 30, 2014	Receipts	Disburse- ments	Transfers	Fund Balance June 30, 2015
Agri Mechanics	\$ 76	\$ 6,805	\$ (6,070)	\$ (295)	\$ 516
Ag- Production	-	2,567	(2,581)	317	303
Art	258	-	(220)	100	138
Athletics	33,568	108,611	(80,455)	(43,386)	18,338
Band	22	-	-	(22)	-
Pulaski Central Tran	83	-	-	(83)	-
Consumer/Family/Food	1,767	1,161	(975)	140	2,093
The People's Fund	91	500	-	-	591
Math	278	-	-	(278)	-
Extra Athletic	1,413	-	(4,494)	7,000	3,919
ROTC	1,427	15,416	(17,228)	1,510	1,125
Science	3,706	7,508	(7,842)	(120)	3,252
Social Studies	144	-	(68)	(76)	-
Special Ed	540	890	(920)	-	510
Supply Store	3,000	43,488	(39,896)	(6,139)	453
Technology Ed	7	-	-	-	7
Choir	2,686	11,370	(12,186)	-	1,870
History Club	-	45	-	-	45
Fishing Club	1,860	6,195	(6,880)	-	1,175
Adv Placement Program	8,536	252	(869)	-	7,919
FB Regional VS Coop.	-	4,135	(3,066)	-	1,069
General	6,026	8,538	(18,018)	4,599	1,145
Guidance	62	-	-	(62)	-
Library	967	634	(711)	-	890
Parking	671	5,730	(6,040)	(41)	320
Student Vending	519	4,388	(7,333)	3,108	682
Youth Service Center	85	-	-	-	85
Academic Reward	43	-	(350)	317	10
Engineering Club	-	-	(2,819)	4,111	1,292
FYSC- United Way	3,268	1,042	(1,449)	(2,344)	517
Art Club	-	-	(42)	42	-
Cheerleaders	50	6,710	(2,864)	-	3,896
Dance Team	351	2,410	(2,238)	570	1,093
DECA	3,875	33,330	(33,394)	103	3,914
Environmental Club	770	100	-	-	870
FBLA	1,153	50,853	(50,177)	(1,044)	785
FCA	1,605	196	-	-	1,801
FFA	2,616	32,424	(36,054)	2,417	1,403
FCCLA	2,285	4,186	(4,243)	56	2,284
NHS	550	2,073	(1,464)	-	1,159
Pep Club	-	195	(391)	271	75
United/S.A.D.D.	10	-	-	-	10
Science Club	23	-	-	-	23
Speech/ Drama	1,535	1,288	(2,730)	100	193
STLP	20	-	-	-	20
Student Council	348	1,594	(1,108)	-	834
Boys Golf Boosters	3,390	18,293	(13,886)	(46)	7,751
Sports Officials	1,740	-	(22,448)	21,000	292
Philosophy club	35	-	-	-	35
FEA	-	45	-	-	45
Prom	9,807	7,760	(6,973)	(3,080)	7,514
12th Region Basketball	25	16,282	(7,654)	(368)	8,285
Chess Club	491	120	(252)	-	359
RPG Club	237	78	-	-	315
Student YMCA	-	40	-	-	40
Clorox Grant	3,000	-	(3,000)	-	-
Cancer Awareness FU	32	-	-	-	32
Softball Booster	1,754	17,079	(18,717)	1,550	1,666
Girls Soccer Booster	5,547	7,278	(7,747)	40	5,118
Girls Basketball Booster	454	-	(422)	(32)	-
Boys Soccer Booster	2,317	4,532	(5,403)	-	1,446
Football Booster	516	-	(11)	-	505
Baseball Booster	3	-	-	-	3
Cross Country Booster	71	-	(71)	-	-
Volleyball Booster	10,481	8,145	(15,487)	(37)	3,102
G&B Soccer District	-	1,270	(1,296)	26	-

PULASKI COUNTY SCHOOL DISTRICT
PULASKI COUNTY HIGH SCHOOL ACTIVITY FUND
ALL FUNDS COMBINED
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

For The Year Ending June 30, 2015

	Fund Balance June 30, 2014	Receipts	Disburse- ments	Transfers	Fund Balance June 30, 2015
Girls Regional Golf	-	1,352	(1,835)	1,620	1,137
Track Booster	-	85	(85)	-	-
Girls Golf Boosters	8,155	536	(5,960)	(1,883)	848
Archery State Tournament	2,000	-	(1,651)	-	349
Project Graduation	562	7,145	(8,628)	1,000	79
Fundraiser Account	-	13,336	(1,150)	-	12,186
AP Government	43	-	-	(43)	-
Feud For Food	2,251	1,644	(1,291)	-	2,604
Tennis	1,159	5,165	(3,524)	-	2,800
Kool Kraz	605	300	(373)	1,550	2,082
Basketball District	-	13,456	(4,814)	-	8,642
Region 12 Tourney	5,776	-	-	-	5,776
Freshman Center	32	31	-	(63)	-
Yearbook	5,485	4,926	(8,596)	-	1,815
Archery Booster	2,487	10,318	(12,419)	(55)	331
YSC Attendance Grant	3	-	-	-	3
Hospitality	-	3,915	(1,614)	(2,301)	-
Senior Fun Day	50	-	(36)	(14)	-
Maroon Financial	69	-	-	(69)	-
Student Performance	53	-	-	(53)	-
KEDC Grant	-	1,144	(1,144)	-	-
Baseball District	-	2,135	(1,144)	-	991
Book club	-	155	(153)	-	2
JROTC Nationals Acc	-	8,095	(7,531)	30	594
Softball District	-	1,961	(934)	-	1,027
Don Marshall Bowl	-	24,891	(18,450)	(1,150)	5,291
Basketball Prep	-	500	-	-	500
AP Spanish Fund	-	-	-	-	-
JW Science Lab	1,355	-	-	-	1,355
Swim Team	415	1,324	(693)	-	1,046
13th Region Girls	1,027	-	(352)	368	1,043
PCI-Girls Golf Aug 20	1,160	840	(2,263)	263	-
Postage Due Account	610	150	(600)	(160)	-
Band Uniform Account	6	-	-	(6)	-
Alloc Baseball	-	-	(760)	760	-
Alloc Boys Basketball	-	-	(2,100)	2,100	-
Alloc Girls Basketball	161	-	(54)	2,120	2,227
Alloc Cross Country	71	200	(3,404)	3,240	107
Alloc Football	7,000	2,500	(9,140)	310	670
Alloc Girls Golf	600	-	-	-	600
Alloc Boys Soccer	207	750	(150)	1,000	1,807
Alloc Girls Soccer	222	-	(192)	1,000	1,030
Alloc Softball	-	-	-	700	700
Alloc Tennis	361	-	(961)	600	-
Alloc Boys Track	5	-	(389)	438	54
Alloc Girls Track	-	170	(732)	562	-
Alloc Volleyball	140	-	-	1,000	1,140
Alloc Dance	165	-	(565)	400	-
Alloc Cheerleaders	-	-	(300)	300	-
Alloc Swim Team	18	-	(190)	200	28
PCI Invitational/CC	2,124	-	(690)	-	1,434
Saddle Up Club	284	1,209	(1,489)	-	4
Anime Club	-	232	(189)	-	43
Academic Team Fund	197	-	(40)	(157)	-
Robotics Club	-	150	-	-	150
Beta Club	1,046	504	(676)	-	874
Spanish Honor Soc	101	917	(1,433)	415	-
Alloc Archery	-	-	(497)	500	3
Football State Tournament	-	5,030	-	-	5,030
PBIS	1,361	1,050	(2,044)	(303)	64
Link Crew Club	67	1,931	(561)	(18)	1,419
Rocket Club	125	225	(62)	-	288
AP Coordinator	14	225	(225)	(14)	-
Lowe's Education	4,111	118	(118)	(4,111)	-
HOSA	-	932	-	-	932
Totals	\$ 177,877	\$ 565,103	\$ (570,743)	\$ -	\$ 172,237

PULASKI COUNTY SCHOOL DISTRICT
SOUTHWESTERN HIGH SCHOOL ACTIVITY FUND
ALL FUNDS COMBINED
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

For the Period Ending June 30, 2015

	Fund Balance June 30, 2014	Receipts	Disburse- ments	Transfers	Fund Balance June 30, 2015
Sr Project Graduation	\$ 1,025	\$ -	\$ (288)	\$ -	\$ 737
Art	969	600	-	-	1,569
ASL	175	-	-	-	175
Band	854	750	-	-	1,604
Chorus	40	1,385	(133)	-	1,292
HYEC	265	-	-	-	265
DECA	3,836	38,506	(40,632)	1,397	3,107
FBLA	216	13,794	(10,680)	(1,352)	1,978
FCA	50	305	(350)	-	5
FFA	5,398	33,509	(28,001)	-	10,906
FCCLA	4,746	855	(1,790)	-	3,811
Link Crew	35	-	-	-	35
Foreign Language	12	-	-	-	12
FACS	3,846	4,639	(4,882)	1,014	4,617
Interest	64	330	-	-	394
Youth Service Center	2,022	704	(1,498)	-	1,228
History Bowl	20	-	-	-	20
NHS	2,720	1,984	(2,918)	-	1,786
Academic Team	258	793	(958)	-	93
ROTC	6,455	11,282	(16,653)	-	1,084
Spanish Club	392	-	-	-	392
Student Government	675	1,597	(1,929)	-	343
Tech/Slip	2,723	1,812	(1,679)	(229)	2,627
Trading Post	8,517	88,608	(71,552)	(39)	25,534
Vending	209	208	(52)	-	365
Yearbook	3,257	18,742	(17,024)	(45)	4,930
Conservation Club	1,085	364	(393)	-	1,056
Peru Trip	3	-	-	-	3
Unite Club	42	-	-	-	42
Biology Trip	124	27,922	(26,885)	-	1,161
Debate Team	75	-	-	-	75
Music Theater	721	-	-	-	721
Science Dept	402	-	-	-	402
Agriculture	998	-	-	-	998
Sociology Class	-	1,280	(1,280)	-	-
Tri-M	553	-	-	-	553
Vending II	20	-	-	-	20
Athletic General	8,239	75,041	(71,570)	(3,316)	8,394
Girls Basketball	3,529	4,420	(7,772)	-	177
Boys Basketball	226	-	-	-	226
Girls Soccer	3,657	-	(1,217)	200	2,640

PULASKI COUNTY SCHOOL DISTRICT
SOUTHWESTERN HIGH SCHOOL ACTIVITY FUND
ALL FUNDS COMBINED
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

For the Period Ending June 30, 2015

	Fund Balance June 30, 2014	Receipts	Disburse- ments	Transfers	Fund Balance June 30, 2015
Boys Soccer	700	1,619	(1,245)	(100)	974
Girls Golf	398	250	(470)	-	178
Boys Golf	750	2,580	(1,835)	300	1,795
Girls Volleyball	531	5,007	(2,654)	-	2,884
Softball	292	240	(374)	470	628
Baseball	1,068	-	(1,201)	400	267
Track	111	1,120	(1,006)	-	225
Cross Country	622	1,244	(1,485)	200	581
Swim	427	1,194	(465)	-	1,156
Tennis	1,747	1,960	(617)	200	3,290
Cheerleaders	5,255	44,584	(38,601)	200	11,438
Dance	1,423	19,966	(19,084)	500	2,805
Football	16,586	1,966	(18,048)	-	504
Sports Uniforms	1,856	365	-	-	2,221
Health/PE	4	-	-	-	4
Archery	272	1,731	(576)	-	1,427
Fishing	1,782	2,811	(4,645)	200	148
Warrior Nation	800	-	-	-	800
Pep Club	345	-	-	-	345
Robotics	1,577	5,060	(4,123)	-	2,514
Totals	<u>\$ 104,999</u>	<u>\$ 421,127</u>	<u>\$ (406,565)</u>	<u>\$ -</u>	<u>\$ 119,561</u>

PULASKI COUNTY SCHOOL DISTRICT
ELEMENTARY AND MIDDLE SCHOOLS ACTIVITY FUNDS
ALL FUNDS COMBINED
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

For the year ended June 30, 2015

Schools	Fund Balance June 30, 2014	Receipts	Disburse- ments	Fund Balance June 30, 2015
Elementary				
Burnside	\$ 1,251	\$ 17,238	\$ (15,217)	\$ 3,272
Eubank	19,770	32,098	(30,578)	21,290
Memorial Center	11	-	-	11
Nancy	51,428	30,680	(78,201)	3,907
Northern	2,770	11,611	(11,707)	2,674
Oak Hill	3,201	4,549	(4,553)	3,197
Pulaski	5,189	17,246	(13,588)	8,847
Shopville	22,315	34,042	(48,748)	7,609
Southern	14,361	96,918	(92,163)	19,116
Middle				
Northern	57,830	170,840	(179,567)	49,103
Southern	34,139	159,408	(155,657)	37,890
Total	<u>\$ 212,265</u>	<u>\$ 574,630</u>	<u>\$ (629,979)</u>	<u>\$ 156,916</u>

PULASKI COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015

<u>Program Title</u>	<u>Grant or MUNIS #</u>	<u>Federal CFDA #</u>	<u>Federal Expenditures</u>	<u>Total By CFDA #</u>
U. S. DEPARTMENT OF AGRICULTURE				
<i>Cluster</i>				
<i>Passed Through Kentucky Department of Education:</i>				
<u>Child Nutrition Cluster</u>				
School Breakfast Program	203X	10.553	\$ 1,191,014	
National School Lunch Program	205X	10.555	2,933,870	
Summer Food Service Program for Children	209X	10.559	100,856	4,225,740 **
Child and Adult Care Food Program	208X	10.558	393,241	393,241 **
Fresh Fruit and Vegetable Program	215X	10.582	83,117	83,117
<i>Passed Through Kentucky Department of Agriculture:</i>				
Commodity Supplemental Food Program	201X	10.565	330,600	330,600 **
TOTAL U.S. DEPARTMENT OF AGRICULTURE				5,032,698
U. S. DEPARTMENT OF EDUCATION				
<i>Passed Through Kentucky Department of Education:</i>				
Adult Education - Recruitment, Retention and Results	365X	84.002	22,690	
Adult Education - Core Services / Family Literacy	373X	84.002	21,813	
Adult Education - Accelerating OPP	490X	84.002	2,364	
Adult Education - Prof/Staff Development	373XS	84.002	394	47,261
<u>Title I Cluster</u>				
Title I	310X	84.010	2,361,106	
Title I - Professional Development - District Improvement	310XD	84.010	459,178	
Title I - Parent Involvement	310XM	84.010	28,900	
Title I: Delinquent Children in LEA Operated Institutions	314X	84.010	101,178	
Title I - School Improvement Funds	320X	84.010	91,537	3,041,899
Title I - Migrant Education	311X	84.011	251,514	251,514 **
Title I: Neglected & Delinquent Children	313X	84.013	16,527	
Title I: Neglected & Delinquent Children Transitional Funds	313XT	84.013	4,280	20,807
<u>Special Education Cluster</u>				
IDEA Part B	337X	84.027	1,572,405	
IDEA-B Private Schools	337XP	84.027A	44,149	
IDEA-B Special Ed Preschool	343X	84.173	52,636	
IDEA B - Preschool	343XP	84.173A	771	1,669,961
Perkins Carry Forward	348XA	84.048	4,396	
Perkins	348XA	84.048	88,122	92,518
Title VI: Rural Education	350X	84.358	168,595	168,595
Title III: Limited English Proficiency	345X	84.365	28,005	28,005
Title II: Teachers Quality	401X	84.367	442,641	442,641
21st Century Community Learning Center - Supplemental Funds	550XZ	84.287	15,645	
21st Century Community Learning Center	550XZ	84.287	118,945	134,590
Race To The Top	452X	84.413A	30,443	30,443
Gear Up - BAS	3794B	84.334.A	113,658	
Gear Up - CAP	3794C	84.334.A	15,278	
Gear Up	3794G	84.334.A	431,514	
Gear up - LEA	379AL	84.334.A	5,126	
Gear Up - PD	379AP	84.334.A	20,122	585,698
Title I: School Improvement Part G	460X	84.377A	174,392	174,392 **
TOTAL U.S. DEPARTMENT OF EDUCATION				6,688,324
U.S. DEPARTMENT OF DEFENSE				
<i>Passed through KY Dept of Military Affairs</i>				
NJROTC	504X	12.000	111,220	111,220
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<i>Passed Through Kentucky Department of Education:</i>				
Drug Free Communities	500XA	93.276	146,169	146,169
KY AWARE Grant	551XS	93.243A	13,548.00	13,548
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				159,717
TOTAL EXPENDITURES OF FEDERAL AWARDS				11,991,959

*Tested as major program or cluster ***

PULASKI COUNTY SCHOOL DISTRICT
NOTES TO 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 activity of the Pulaski County School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from the amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B. FOOD DISTRIBUTION PROGRAM

Non-monetary assistance is reported in the Schedule at the fair value of the commodities received. For the 2015 NSLP fiscal year ending September 30, 2015, Pulaski Co Public Schools was awarded \$304,526 in commodities. Through June 30, 2015, \$330,600 has been received with \$280,600 passed through the U.S. Department of Agriculture and \$50,000 passed through the U.S. Department of Defense.

PULASKI COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2015

1. SUMMARY OF AUDITOR'S FINDINGS

Financial Statements:

Type of auditor's report issued:	unmodified
Internal control over financial reporting	Yes No
• Material weaknesses identified?	X
• Significant deficiencies identified that are not considered to be material weaknesses?	X None reported
• Noncompliance material to financial statements noted?	X

Federal Awards:

Internal control over major programs	Yes No
• Material weakness identified?	X
• Significant deficiencies identified that are not considered to be material weaknesses?	X None reported

Type of auditor's report issued on compliance for major programs:	unmodified
	Yes No
• Any audit findings disclosed that are required to be reported in accordance with section 510 (a) of Circular A-133?	X

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555, 10.559	Child Nutrition Cluster
10.558	Child and Adult Care
10.565	Commodities
84.011	Title I - Migrant
84.377A	Title I- School Improvement

- Dollar threshold used to distinguish between type A and type B programs \$359,760
- Auditee qualified as low-risk auditee? Yes X No

2. FINANCIAL STATEMENT FINDINGS

Current Year: None reported

Prior Year: None reported

3. FEDERAL AWARDS FINDINGS & QUESTIONED COSTS

Current Year: None reported

Prior Year: None reported

PULASKI COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year ended June 30, 2015

Prior Year:
None reported

ROSS & COMPANY, PLLC

Certified Public Accountants

800 Envoy Circle

Louisville, KY 40299-1837

Telephone (502) 499-9088

Facsimile (502) 499-9132

rosscpas.com

Members of the Board
Pulaski County School District
Somerset, Kentucky

<p style="text-align: center;">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</p>
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We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendices I and II of the *Independent Auditor's Contract*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pulaski County School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Pulaski County School District's basic financial statements, and have issued our report thereon dated November 10, 2015.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 the 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 weakness 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 weakness may exist that have not been identified.

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
(Continued)

Compliance and Other Matters

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

We noted certain matters that we reported to management of Pulaski County School District in a separate letter dated November 10, 2015.

Pulaski County School District's Response to Findings

Pulaski County School District's response to the findings identified in our audit are described in the Recommendations and Comments to Management. Pulaski County School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls 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 controls and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,



Ross and Company, PLLC
November 10, 2015

ROSS & COMPANY, PLLC
Certified Public Accountants
800 Envoy Circle
Louisville, KY 40299-1837
Telephone (502) 499-9088
Facsimile (502) 499-9132

Members of the Board
Pulaski County School District
Somerset, Kentucky

**INDEPENDENT REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH *OMB CIRCULAR A-133***

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Pulaski County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular No. A-133, *Audits of States, Local Governments, and Non-Profit Organization*, and the requirements prescribed by the Kentucky State Committee for School District Audits in Appendices I and II of the Independent Auditor's Contract. 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 Pulaski County School District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

INDEPENDENT REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

Report Internal Control over Compliance

Management of Pulaski County School District is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Pulaski County School District's internal control over compliance with the types requirements that could have a direct and material effect on a major federal program to determine our auditing procedures that are appropriate in the circumstance 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 Pulaski County School District's internal control over compliance.

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

Our consideration of the 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 that we consider 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 the 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.

Respectfully Submitted,



Ross & Company, PLLC
November 10, 2015

ROSS & COMPANY, PLLC

Certified Public Accountants

800 Envoy Circle

Louisville, KY 40299-1837

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Facsimile (502) 499-9132

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Somerset, Kentucky

RECOMMENDATIONS AND COMMENTS TO MANAGEMENT

In planning and performing our audit, we considered Pulaski County School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Pulaski County School District's internal control over financial reporting.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the District's internal control in our report dated November 10, 2015. This letter does not affect our report dated November 10, 2015, on the financial statements of the Pulaski County School District. The conditions observed are as follows:

Current Year Findings –

2015-01 Student Activity Funds Used For Office and Instructional Supplies

Statement of Condition: Office and instructional supplies were paid through Activity Funds.

Criteria for Condition: School activity funds shall not be used to pay for basic routine operating expenses, renovations or maintenance of school facilities or buildings including instructional supplies per Accounting Procedures for Kentucky School Activity Funds, "Redbook."

Cause of the Condition: Activity funds were used to pay for general office supplies and instructional supplies.

Effect of the Condition: School activity money generated by students may be used to provide student incentives for scholarship, athletics, specialized area performance, school spirit, and similar achievements. Office supplies and instructional supplies such as classroom supplies are disallow according to KDE "RedBook".

Recommendation for

Correction: District activity sweep accounts should be created at each school to allow for these purchases when prohibited.

Management Response: Management will individually assist each school in properly managing Student activity funds and District activity funds. Bank accounts have been created for that purpose. District level personnel will ensure that each school is handling funds properly.

PULASKI COUNTY SCHOOL DISTRICT
RECOMMENDATIONS AND COMMENTS TO MANAGEMENT
JUNE 30, 2015
(Continued)

2015-02 District Activity Funds Were Not Properly Swept to the District

Statement of Condition: Funds collected for District Activity accounts were not properly swept to the District.

Criteria for Condition: If District Activity funds are accounted for in School Activity fund accounts they become subject to the Redbook requirements according to KDE “RedBook” FAQs.

Cause of the Condition: Activity funds were deem District Activity Funds, however were not swept timely and spent properly.

Effect of the Condition: Funds were not properly recorded at the District level and violated KDE “Redbook.”

Recommendation for Correction: District activity sweep accounts should be created and swept at least monthly at each school to allow for these purchases when prohibited.

Management Response: *District level personnel assure that all sweep accounts will be maintained properly and will be swept accordingly. District personnel will do periodic checks to make sure Redbook standards are being followed regarding this issue..*

2015-03 Interest Charges were paid with Student Activity Funds

Statement of Condition: Interest charges were incurred with Student Activity Fund credit card.

Criteria for Condition: Interest charges are not a necessary expenditure for any student activity.

Cause of the Condition: Credit Card statements were not paid timely resulting in interest charges.

Effect of the Condition: Funds are not being properly expensed for the students benefit.

Recommendation for Correction: All credit card transaction should be approved with PO prior to purchase to ensure proper authorization and funding. If school is unable to pay credit card timely, auditors suggest moving the card to the district for better oversight.

Management Response: *Management will address the issue with the schools. If there is a reoccurrence of interest being charged, credit card usage will be restricted as much as deemed necessary to maintain adequate control.*

PULASKI COUNTY SCHOOL DISTRICT
 RECOMMENDATIONS AND COMMENTS TO MANAGEMENT
 JUNE 30, 2015
 (Continued)

2015-04 Proper Documentation was Not Available during Audit

Statement of Condition: An itemized invoices was not used for Student Activity Fund purchase.

Criteria for Condition: The school treasurer shall match up the purchase order and invoice and verify that all items ordered have been received, all amounts agree, and that all necessary approvals and signatures have been obtained per KDE “Redbook.”

Cause of the Condition: An itemized invoice was not present at time of activity fund audit. Later a statement was provided to show account was paid in full.

Effect of the Condition: A check was issued without proper documentation as to what was being purchased. Coaches’ apparel is disallowed according to KDE “Redbook.” Auditors believe coaches’ apparel was purchased, however was unable to verify.

Recommendation for Correction: All purchase orders and itemized invoices must be matched before a check is issued. All coaches’ apparel should be purchased with District Activity funds when prohibited.

Management Response: Management will discuss the issue with the school to verify that invoices shall not be paid without itemization..

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

Prior year comments:

- | | | |
|----------|--|-------------|
| 2014-01: | <u>SAF Used to Purchase State Football Tickets for Staff & Parents</u> | (Corrected) |
| 2014-02: | <u>Handling Cash, (Redbook)</u> | (Corrected) |
| 2014-03: | <u>Use of Purchase Orders, (Redbook)</u> | (Corrected) |
| 2014-04: | <u>Child Care Expense Paid Out of Activity Funds (Redbook)</u> | (Corrected) |
| 2014-05: | <u>School Store Collections</u> | (Corrected) |
| 2014-06: | <u>Sales Tax, (Redbook)</u> | (Corrected) |

PULASKI COUNTY SCHOOL DISTRICT
RECOMMENDATIONS AND COMMENTS TO MANAGEMENT
JUNE 30, 2015
(Continued)

If any action occurs after this exit conference date, which affects the significant or material findings, it is the responsibility of management to provide that information to the auditors.

We sincerely appreciate the courtesy extended to our audit staff again this year. Of course, should you have any questions or concerns regarding your audit, please feel free to contact us.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Ross & Company".

Ross & Company, PLLC
November 10, 2015