

**ROCKCASTLE COUNTY
SCHOOL DISTRICT**

**AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES**

For the year ended June 30, 2015

Prepared by:

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INDEPENDENT AUDITOR'S REPORT

To the Rockcastle County Board of Education and
State Committee for School District Audits
Mount Vernon, Kentucky

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Change in Accounting Principle

As described in Note Q to the financial statements, in 2015, the District adopted new accounting guidance, GASB *Statement No. 68, Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the district's proportionate share of the net pension liability, and schedule of contributions information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The additional supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements

themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

White & Associates, P.C.

Richmond, Kentucky
November 13, 2015

**ROCKCASTLE COUNTY SCHOOL DISTRICT-MOUNT VERNON,
KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED June 30, 2015**

The management of Rockcastle County School District offers the readers this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30th, 2015. We encourage readers to review the information found within the body of the audit.

Financial Highlights

The beginning fund balance for the General Fund was \$3,917,885. The year ended with a balance of \$3,625,902. This was a decrease of \$291,983.

The school district continues a concentrated effort to build and maintain facilities that are state of the art and well maintained. The district composes of three elementary schools (grades P-5), one middle school (grades 6-8), one high school (grades 9-12), one area technology center school (grades 9-12), and an alternative school (grades 6-12) in addition to a central office, an adult education center and a central teaching and training center.

The board initiated three major construction projects in fiscal 2015, BG-15-164 Adult Education Accessibility Improvement, BG-15-165 Mt. Vernon Elementary School Boiler Replacement, and BG-15-166 Mt. Vernon Elementary School Roof Replacement. Two of the projects began during the fall of 2015 with the exception of the Adult Education Accessibility Improvement which is scheduled for the summer of 2016.

The board issued a Series 2015 Bond for the purposes of refinancing the Series 2006 Bond.

The school district continues the commitment of maintaining salaries for all staff at a level for the average of each classification of staff to be at least the average for the surrounding school districts within the region.

During fiscal 2015, the district continued to be impacted by the declining economy through various funding sources. One item that impacts the district financially, as with all Kentucky School Districts is the fact that several grants received are being funded at constant or lesser levels. Also, the fact that maintaining staff at constant levels requires substantial increases in expenditures due to longevity incremental increases and teacher rank changes.

Bonds are issued consistent with the districts long-range facilities plan that has been established with community input and in keeping with the Kentucky Department of Education stringent compliance regulations. The following is an analysis of debt activity for the year:

**ROCKCASTLE COUNTY SCHOOL DISTRICT-MOUNT VERNON,
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YEAR ENDED June 30, 2015**

Outstanding Debt at Year-End
(in Millions)

	Government Activities	
	2014	2015
General Obligation Bonds	\$ 6.64	\$ 5.95

The following is an analysis of capital asset activity for the year:

Capital Assets at Year-End FY2015
(In Millions)

	Governmental Activities		Business Type Activities		Totals	
	2014	2015	2014	2015	2014	2015
Land and Improvements	1.84	1.84			1.84	1.84
Buildings & Improvements	42.40	42.40	0.88	0.88	43.28	43.28
Technology Equipment	0.96	0.96		0.04	0.96	1.00
Vehicles	5.01	4.98	0.04		5.05	4.98
General Equipment	0.34	0.34	0.49	0.49	0.83	0.83
Construction In Progress	-	0.09			-	0.09

The general fund had \$22,494,235 in revenue, excluding inter-fund transfers and proceeds from the sales of assets, which primarily consisted of state program (SEEK) and property, utilities, and motor vehicle taxes. Excluding transfers, there was \$22,742,082 in General Fund expenditures.

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

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

**ROCKCASTLE COUNTY SCHOOL DISTRICT-MOUNT VERNON,
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MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED June 30, 2015**

the District is improving or deteriorating.

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

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

The government wide-financial statements can be found on the table of contents of this report.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

**ROCKCASTLE COUNTY SCHOOL DISTRICT-MOUNT VERNON,
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the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

The School District as a Whole

There has been a slight decrease in the financial position of the District since the prior year. Unrestricted net position decreased by \$5,470,260 from the prior year.

	<u>2015</u>	<u>2014</u>
Current and other assets	\$6,311,851	\$6,146,768
Capital assets	<u>28,857,744</u>	<u>29,996,415</u>
Total Assets	<u>\$35,169,595</u>	<u>\$36,143,183</u>
Deferred outflows	\$899,051	\$180,406
Current liabilities	\$1,551,427	\$1,415,074
Non current liabilities	<u>10,809,088</u>	<u>5,994,444</u>
Total Liabilities	<u>\$12,360,515</u>	<u>\$7,409,518</u>
Deferred inflows		
Investment in capital assets, net of related debt	\$22,912,744	\$23,536,821
Restricted net position	1,939,434	1,653,037
Unrestricted net position	<u>(1,746,047)</u>	<u>3,724,213</u>
Total Net Position	<u>\$23,106,131</u>	<u>\$28,914,071</u>

The following is an analysis of changes in net position for 2014 and 2015.

SEE SCHEDULE ON NEXT PAGE

**ROCKCASTLE COUNTY SCHOOL DISTRICT-MOUNT VERNON,
KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED June 30, 2015**

Table 2
Changes in Net Position
(in millions)

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2014-2015
	2014	2015	2014	2015	2014	2015	
Revenues:							
Charges for services	\$ 0.23	\$ -	\$ 0.30	\$ 0.27	\$ 0.53	\$ 0.27	-49%
Operating grants and contributions	3.35	10.43	1.36	1.42	4.71	11.85	151%
Capital grants and contributions	1.12	1.14			1.12	1.14	2%
General revenues	21.71	17.44	0.00		21.71	17.44	-20%
Total revenue	26.41	29.01	1.66	1.69	28.07	30.70	9%
Expenses:							
Instruction	\$ 15.57	\$ 18.71			\$ 15.57	\$ 18.71	20%
Student	1.25	1.46			1.25	1.46	17%
Instructional staff	1.23	1.11			1.23	1.11	-10%
District administration	0.64	0.59			0.64	0.59	-7%
School administration	1.27	1.27			1.27	1.27	1%
Business	0.21	0.17			0.21	0.17	-20%
Plant operation & maintenance	2.27	2.41			2.27	2.41	6%
Student transportation	2.07	1.89			2.07	1.89	-9%
Food Service Operations			1.73	1.68	1.73	1.68	-3%
Community services operations	0.30	0.33			0.30	0.33	9%
Amortization	0.03	0.03				0.03	
Depreciation	1.20	1.22	0.04	0.03	1.24	1.25	1%
Interest on long-term debt	0.22	0.21			0.22	0.21	-4%
Total Expenses	\$ 26.26	\$ 29.40	\$ 1.77	\$ 1.71	28.02	\$ 31.11	11%
Change in net position	\$ 0.16	\$ (0.39)	\$ (0.11)	\$ (0.02)	\$ 0.05	(0.41)	898%

**ROCKCASTLE COUNTY SCHOOL DISTRICT-MOUNT VERNON,
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MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED June 30, 2015**

The following table presents a fund accounting comparison and summary of revenue and expense for Governmental Funds only for the fiscal years 2014 & 2015.

	2014	2015
Revenue and other financing sources		
Local revenue sources	3,319,168	3,141,694
State revenue sources	20,596,404	21,328,427
Federal revenue	2,501,545	2,460,924
Total Revenue	26,417,117	26,931,045
Expenditures and other financing uses		
Instruction	15,587,030	16,529,854
Student support services	1,254,003	1,460,015
Instructional support	1,231,629	1,133,987
District administration	635,603	604,286
School administration	1,265,752	1,284,146
Business operations	211,343	174,863
Plant operation and maintenance	2,271,962	2,403,390
Student transportation	2,517,967	1,898,518
Other instructional	-	
Community services	304,551	328,959
Debt service	999,956	996,637
Building acquisitions and construction	-	90,761
Site improvement	-	
Total expenditures	26,279,796	26,905,416
Other financing sources (uses)		
Bond proceeds	-	1,015,000
Bond costs		(987,533)
Transfers in	855,099	853,832
Transfers out	(855,099)	(853,832)
Proceeds from sale of assets	5,918	17,848
Total other financing sources (uses)	5,918	45,315
Net change in fund balance	143,239	70,944

**ROCKCASTLE COUNTY SCHOOL DISTRICT-MOUNT VERNON,
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On behalf payments are included in the previous page amounts. On-behalf, as defined by the KDE, are payments the state makes on behalf of employees to the various agencies for health and life insurance, retirement, and administration fees. The on-behalf payments are allocated to expense as mandated by the KDE and are credited to revenue; therefore, have no effect on the District's level fund balance.

BUDGETARY IMPLICATION

In Kentucky, the public school district's fiscal year is July 1 through June 30; however, other programs, such as, 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 (recommend 5% minimum). The District adopted a budget for 2014-2015 with \$1,845,960 in the contingency fund, which is an 8% contingency in an attempt to maintain present staffing levels for as long as possible. Items of note that impacts the District budget includes increased salary and salary fixed costs, less revenue flow to the District, the need for improving programming and meeting the academic audit standards. In addition, the fact that the local board of education constantly reacts toward showing a strong commitment in providing resources for high level instructional strategies that are researched based. Also, the board maintains a commitment towards state of the art facilities which dictates a better learning environment for students. Significant variations in the actual results of operations and the final budget are primarily due to on-behalf payments that are included in the financial statements, but are not budgeted by the District.

Questions regarding this report should be directed to the Superintendent at (606) 256-2125 or to the Finance Officer, Jason Coguer at (606) 256-2125 or by mail at Rockcastle County Schools, 245 Richmond Street, Mount Vernon, Kentucky 40456.

Rockcastle County School District
Statement of Net Position
June 30, 2015

	Primary Government		
	Governmental Activities	Business- type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,398,899	\$ 55,539	\$ 1,454,438
Investments	4,525,000		4,525,000
Receivables (net)	301,584		301,584
Inventories		30,829	30,829
Capital assets:			
Land, improvements, and construction in progress	749,716		749,716
Other capital assets, net of depreciation	27,558,458	549,571	28,108,028
Total capital assets	28,308,174	549,571	28,857,744
Total assets	34,533,657	635,939	35,169,595
DEFERRED OUTFLOWS OF RESOURCES			
District pension contributions subsequent to the measurement date	676,853	21,518	698,371
Deferred savings from refunding bonds	200,680		200,680
Total deferred outflows of resources	877,533	21,518	899,051
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	35,411,189	657,457	36,068,646
LIABILITIES			
Accrued interest payable	46,071		46,071
Accounts payable	125,299	2,477	127,776
Unearned revenue	534,848		534,848
Long-term liabilities:			
Due within 1 year:			
Bond obligations	830,000		830,000
KSBIT payable	12,732		12,732
Total due within 1 year	842,732	-	842,732
Due in more than 1 year:			
Bond obligations	5,115,000		5,115,000
KSBIT payable	63,658		63,658
Sick leave	234,430		234,430
Net pension liability	5,208,858	187,142	5,396,000
Total due in more than 1 year	10,621,946	187,142	10,809,088
Total liabilities	12,170,896	189,619	12,360,515
DEFERRED INFLOWS OF RESOURCES			
Net difference between projected and actual earnings on pension plan investments	581,122	20,878	602,000
NET POSITION			
Net Investment in capital assets	22,363,174	549,571	22,912,744
Restricted for:			
Capital projects	1,914,434		1,914,434
Other purposes	25,000		25,000
Deficit	(1,643,437)	(102,611)	(1,746,047)
Total net position	22,659,171	446,960	23,106,131
TOTAL LIABILITIES DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 35,411,189	\$ 657,457	\$ 36,068,646

See the accompanying notes to the financial statements.

Rockcastle County School District
Statement of Activities
Year Ended June 30, 2015

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT:							
Governmental activities:							
Instruction	\$ 18,706,922	\$ -	\$ 7,152,600		\$ (11,554,322)		\$ (11,554,322)
Support Services							
Student	1,462,908		518,720		(944,188)		(944,188)
Instructional Staff	1,110,162		393,643		(716,519)		(716,519)
District Administration	588,352		208,619		(379,733)		(379,733)
School Administration	1,273,978		451,729		(822,249)		(822,249)
Business	169,628		60,147		(109,481)		(109,481)
Plant Operation & Maintenance	2,405,020		852,776	965,457	(586,787)		(586,787)
Student Transportation	1,890,065		670,183		(1,219,883)		(1,219,883)
Community Services Operations	332,655		117,954		(214,702)		(214,702)
Amortization	34,523				(34,523)		(34,523)
Depreciation	1,219,273				(1,219,273)		(1,219,273)
Interest on general long-term debt	211,217			177,323	(33,893)		(33,893)
Total governmental activities	<u>29,404,704</u>	<u>-</u>	<u>10,426,371</u>	<u>1,142,780</u>	<u>(17,835,553)</u>		<u>(17,835,553)</u>
Business-type activities:							
Food service operations	1,686,493	273,726	1,419,011			\$ 6,244	6,244
Depreciation	33,458					(33,458)	(33,458)
Total business-type activities	<u>1,719,951</u>	<u>273,726</u>	<u>1,419,011</u>	<u>-</u>	<u>-</u>	<u>(27,214)</u>	<u>(27,214)</u>
Total primary government	<u>\$ 31,124,655</u>	<u>\$ 273,726</u>	<u>\$ 11,845,382</u>	<u>\$ 1,142,780</u>	<u>(17,835,553)</u>	<u>(27,214)</u>	<u>(17,862,767)</u>
General revenues:							
Taxes:							
Property taxes					1,789,274		1,789,274
Motor vehicle taxes					389,272		389,272
Utility taxes					805,163		805,163
State and formula grants					14,278,225		14,278,225
Sale of equipment					17,848		17,848
Other local revenue					52,820		52,820
Unrestricted investment earnings					105,165	1,354	106,519
Total general revenues					<u>17,437,766</u>	<u>1,354</u>	<u>17,439,120</u>
Change in net position					(397,787)	(25,860)	(423,647)
Net position - beginning					28,254,514	659,556	28,914,070
Prior period adjustment					(5,197,556)	(186,736)	(5,384,292)
Restated net position - beginning					<u>23,056,958</u>	<u>472,820</u>	<u>23,529,778</u>
Net position - ending					<u>\$ 22,659,171</u>	<u>\$ 446,960</u>	<u>\$ 23,106,131</u>

See the accompanying notes to the financial statements.

Rockcastle County School District
Balance Sheet
Governmental Funds
June 30, 2015

	Governmental Funds					
	General	Special Revenue	Construction Fund	Debt Service Fund	Other Governmental Funds	Total
ASSETS						
Cash and cash equivalents	\$ -	\$ 363,928	\$ 1,103,472	\$ -	\$ 835,962	\$ 2,303,362
Investments	4,500,000					4,500,000
Receivables, net						
Taxes-current	76,987					76,987
Taxes-delinquent	4,829					4,829
Accounts	4,000					4,000
Intergovernmental		215,768				215,768
Total assets	4,585,816	579,695	1,103,472	-	835,962	7,104,946
LIABILITIES						
Cash shortage	879,463					879,463
Accounts payable	80,451	44,848				125,299
Unearned revenue		534,848				534,848
Total liabilities	959,914	579,695	-	-	-	1,539,610
FUND BALANCE						
Nonspendable					25,000	25,000
Restricted			1,103,472		810,962	1,914,434
Unassigned	3,625,902					3,625,902
Total fund balance	3,625,902	-	1,103,472	-	835,962	5,565,336
TOTAL LIABILITIES AND FUND BALANCE	\$ 4,585,816	\$ 579,695	\$ 1,103,472	\$ -	\$ 835,962	\$ 7,104,946

See the accompanying notes to the financial statements.

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

Fund balances-total governmental funds	\$	5,565,336
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.</p>		28,308,174
<p>Costs associated with bond issues and refundings are expensed in the fund financial statements because they are a use of current financial resources but are capitalized on the statement of net position using the economic resources focus</p>		200,680
<p>Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, accrued interest payable, other accounts payable, and net pension obligations) are not due and payable in the current period and, therefore, are not reported in the funds</p>		
Accrued interest payable		(46,071)
Bonds payable		(5,945,000)
Sick leave liability		(234,430)
Net pension liability		(5,208,858)
KSBIT liability		(76,390)
<p>Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds</p>		
Deferred outflows of resources related to employer 2015 contributions to pensions		676,853
Deferred inflows of resources related to pensions		(581,122)
		(581,122)
Net position of governmental activities	\$	22,659,171
		22,659,171

See the accompanying notes to the financial statements.

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

	<u>General</u>	<u>Special Revenue</u>	<u>Construction Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
From Local Sources						
Taxes						
Property	\$ 1,529,254	\$ -	\$ -	\$ -	\$ 260,020	\$ 1,789,274
Motor vehicle	389,272					389,272
Utilities	805,163					805,163
Earnings on investments	82,538	2,570	20,056			105,165
Other local revenue	38,323	14,496				52,820
Intergovernmental - state	19,385,346	800,301		177,323	965,457	21,328,427
Intergovernmental - federal	264,340	2,196,585				2,460,924
Total revenues	<u>22,494,236</u>	<u>3,013,952</u>	<u>20,056</u>	<u>177,323</u>	<u>1,225,477</u>	<u>26,931,044</u>
EXPENDITURES						
Instruction	14,265,982	2,263,871				16,529,854
Support Services						
Student	1,475,293	(15,278)				1,460,015
Instructional Staff	785,227	348,759				1,133,987
District Administration	604,286					604,286
School Administration	1,284,146					1,284,146
Business	174,863					174,863
Plant Operation & Maintenance	2,403,390					2,403,390
Student Transportation	1,748,893	149,625				1,898,518
Community Operations		328,959				328,959
Building Acquisitions & Construction			90,761			90,761
Debt Service				996,637		996,637
Total expenditures	<u>22,742,082</u>	<u>3,075,937</u>	<u>90,761</u>	<u>996,637</u>	<u>-</u>	<u>26,905,417</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(247,846)	(61,985)	(70,705)	(819,313)	1,225,477	25,628
OTHER FINANCING SOURCES (USES)						
Sale of equipment	17,848					17,848
Bond proceeds				1,015,000		1,015,000
Underwriters discout				(7,736)		(7,736)
Payment to escrow agent				(979,797)		(979,797)
Operating transfers in		61,985		791,847		853,832
Operating transfers (out)	(61,985)				(791,847)	(853,832)
Total other financing sources and (uses)	<u>(44,137)</u>	<u>61,985</u>	<u>-</u>	<u>819,313</u>	<u>(791,847)</u>	<u>45,315</u>
NET CHANGE IN FUND BALANCE	(291,983)	-	(70,705)	-	433,631	70,942
FUND BALANCE-BEGINNING	<u>3,917,885</u>	<u>-</u>	<u>1,174,177</u>	<u>-</u>	<u>402,332</u>	<u>5,494,394</u>
FUND BALANCE-ENDING	<u>\$ 3,625,902</u>	<u>\$ -</u>	<u>\$ 1,103,472</u>	<u>\$ -</u>	<u>\$ 835,962</u>	<u>\$ 5,565,336</u>

See the accompanying notes to the financial statements.

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

Net change in fund balances-total governmental funds	\$	70,942
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.</p>		
District pension contributions less costs of benefits earned net employee contributions		84,429
<p>Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.</p>		
		(1,105,212)
<p>The difference in the issue amount of the refunding of bond proceeds and the amount for payment to the escrow account to pay the refunded bonds is amortized over the life of the refunding issue.</p>		
		(34,523)
<p>Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.</p>		
		749,797
<p>Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.</p>		
Accrued interest payable		8,156
KSBIT payable		25,462
Noncurrent sick leave payable		(196,838)
		(397,787)
Change in net position of governmental activities	\$	<u><u>(397,787)</u></u>

See the accompanying notes to the financial statements.

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
From Local Sources				
Taxes				
Property	\$ 1,518,000	\$ 1,468,000	\$ 1,529,254	\$ 61,254
Motor vehicle	285,000	285,000	389,272	104,272
Utilities	725,000	725,000	805,163	80,163
Earnings on investments	100,000	100,000	82,538	(17,462)
Other local revenue	116,000	116,000	38,323	(77,677)
Intergovernmental - state	18,771,724	18,821,724	19,385,346	563,622
Intergovernmental - federal	60,000	60,000	264,340	204,340
Total revenues	<u>21,575,724</u>	<u>21,575,724</u>	<u>22,494,236</u>	<u>918,512</u>
EXPENDITURES				
Instruction	14,708,878	14,708,878	14,265,982	442,896
Support Services				
Student	1,141,156	1,141,156	1,475,293	(334,137)
Instructional Staff	1,125,256	1,125,256	785,227	340,029
District Administration	727,094	727,094	604,286	122,807
School Administration	1,262,506	1,262,506	1,284,146	(21,640)
Business	245,906	245,906	174,863	71,043
Plant Operation & Maintenance	2,263,802	2,263,802	2,403,390	(139,588)
Student Transportation	2,104,607	2,178,051	1,748,893	429,158
Total expenditures	<u>23,579,205</u>	<u>23,652,649</u>	<u>22,742,082</u>	<u>910,567</u>
EXCESS (DEFICIENCY) IN REVENUES OVER EXPENDITURES	(2,003,481)	(2,076,925)	(247,846)	1,829,079
OTHER FINANCING SOURCES (USES)				
Sale of equipment	5,000	5,000	17,848	12,848
Operating transfers (out)			(61,985)	(61,985)
Total other financing sources and (uses)	<u>5,000</u>	<u>5,000</u>	<u>(44,137)</u>	<u>(49,137)</u>
NET CHANGE IN FUND BALANCE	(1,998,481)	(2,071,925)	(291,983)	1,779,942
FUND BALANCE-BEGINNING	<u>3,844,441</u>	<u>3,917,885</u>	<u>3,917,885</u>	<u>-</u>
FUND BALANCE-ENDING	<u>\$ 1,845,960</u>	<u>\$ 1,845,960</u>	<u>\$ 3,625,902</u>	<u>\$ 1,779,942</u>

See the accompanying notes to the financial statements.

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
From Local Sources				
Other local revenue	\$ -	\$ -	\$ 14,496	\$ 14,496
Earnings on investments			2,570	2,570
Intergovernmental - state	840,625	1,010,073	800,301	(209,772)
Intergovernmental - federal	2,002,578	2,273,018	2,196,585	(76,434)
Total revenues	<u>2,843,203</u>	<u>3,283,091</u>	<u>3,013,952</u>	<u>(269,139)</u>
EXPENDITURES				
Instruction	1,974,347	2,400,900	2,263,871	137,029
Support Services				
Student	121,539	121,539	(15,278)	136,817
Instructional Staff	248,162	260,833	348,759	(87,926)
Student Transportation	189,558	189,558	149,625	39,933
Community Services Operations	309,597	310,261	328,959	(18,699)
Total expenditures	<u>2,843,203</u>	<u>3,283,091</u>	<u>3,075,937</u>	<u>207,154</u>
EXCESS (DEFICIENCY) IN REVENUES OVER EXPENDITURES	-	-	(61,985)	(61,985)
OTHER FINANCING SOURCES (USES)				
Operating transfers in			61,985	61,985
Total other financing sources and (uses)	<u>-</u>	<u>-</u>	<u>61,985</u>	<u>61,985</u>
NET CHANGE IN FUND BALANCE	-	-	(0)	-
FUND BALANCE-BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE-ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0)</u>	<u>\$ -</u>

See the accompanying notes to the financial statements.

Rockcastle County School District
Statement of Fund Net Position
Proprietary Funds
June 30, 2015

	<u>School Food Services</u>
ASSETS	
Cash and cash equivalents	\$ 55,539
Inventories	30,829
Capital assets:	
Other capital assets, net of depreciation	549,571
Total assets	<u>635,939</u>
DEFERRED OUTFLOWS OF RESOURCES	
District pension contributions subsequent to the measurement date	<u>21,518</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>657,457</u></u>
LIABILITIES	
Accounts payable	2,477
Net pension liability	187,142
Total liabilities	<u>189,619</u>
DEFERRED INFLOWS OF RESOURCES	
Net difference between projected and actual earnings on pension plan investments	20,878
NET POSITION	
Net Investment in capital assets	549,571
Deficit	<u>(102,611)</u>
Total net position	<u>446,960</u>
TOTAL LIABILITIES DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u><u>\$ 657,457</u></u>

See the accompanying notes to the financial statements.

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

		<u>Enterprise Funds</u>
		<u>School Food Services</u>
OPERATING REVENUES		
Lunchroom sales	\$	273,726
Total operating revenues		<u>273,726</u>
OPERATING EXPENSES		
Depreciation		33,458
Food service operations		
Employee services		699,771
Operational expense		986,722
Total operating expenses		<u>1,719,951</u>
Operating income (loss)		<u>(1,446,225)</u>
NONOPERATING REVENUES (EXPENSES)		
Federal grants		1,212,156
State grants		206,855
Earnings from investments		1,354
Total nonoperating revenues		<u>1,420,365</u>
CHANGE IN NET POSITION		(25,860)
NET POSITION-BEGINNING		659,556
PRIOR PERIOD ADJUSTMENT		(186,736)
RESTATED NET POSITION-BEGINNING		<u>472,820</u>
NET POSITION-ENDING	\$	<u>446,960</u>

See the accompanying notes to the financial statements.

Rockcastle County School District
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2015

	Enterprise Funds
	School Food Services
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 273,726
Payments to suppliers	(998,604)
Payments to employees	(699,771)
Net cash provided (used) by operating activities	(1,424,649)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating grants and contributions	1,419,011
Pensions	(234)
Net cash provided (used) by noncapital financing activities	1,418,777
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of capital assets	
Interest	1,354
Net cash provided (used) by investing activities	1,354
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,519)
CASH AND CASH EQUIVALENTS-BEGINNING	60,058
CASH AND CASH EQUIVALENTS-ENDING	\$ 55,539
Reconciliation of operating income (loss) to net cash used by operating activities:	
Operating income (loss)	\$ (1,446,225)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Depreciation	33,458
Changes in assets and liabilities:	
Receivables	-
Inventories	(12,982)
Accrued expenses	1,100
Net cash used by operating activities	\$ (1,424,649)

NONCASH NONCAPITAL FINANCING ACTIVITIES

During the year, the district received \$92,372 of food commodities from the U.S. Department of Agriculture.

During the year, the district recognized revenues and expenses for on-behalf payments relating to fringe benefits in the amount of \$191,890 provided by state government.

See the accompanying notes to the financial statements.

Rockcastle County School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

		School Activity Funds
ASSETS		
Cash and cash equivalents	\$	339,126
Accounts receivable		1,845
		340,971
Total Assets		340,971
LIABILITIES		
Accounts payable		4,847
Due to student groups		336,123
		340,971
Total Liabilities		340,971
NET POSITION HELD IN TRUST		
		-
TOTAL LIABILITIES AND NET POSITION HELD IN TRUST		
	\$	340,971

See the accompanying notes to the financial statements.

ROCKCASTLE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

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

Blended Component Unit

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

Basis of Presentation

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

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

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

The District has the following funds:

I. Governmental Fund Types

(A) General Fund

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

(B) Special Revenue (Grant) Fund

The Special Revenue (Grant) Fund accounts for proceeds of specific revenue sources (other than expendable trust funds or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. KDE requires this fund to be a major fund.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(C) Capital Project Funds

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

SEEK Capital Outlay Fund

The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects as identified in the District's facility plan.

Building (FSPK) Fund

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

Construction Fund

The Construction Fund accounts for proceeds from sale of bonds and other revenues to be used for authorized construction and/or remodeling. This is a major fund of the District.

(D) Debt Service Fund

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

(E) Permanent Fund

The Permanent Fund reports resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting governments programs.

II. Proprietary Funds (Enterprise Funds)

Food Service Fund

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

The District applies all GASB pronouncements to proprietary funds.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

III. Fiduciary Fund Types

(A) Agency Funds

The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. The schools funds are accounted for in accordance with “Accounting Procedures for Kentucky School Activity Funds.”

Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end. Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

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

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

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Property Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. The property tax rates assessed (including exonerations) for the year ended June 30, 2015, to finance the General Fund operations were \$.405 per \$100 valuation of real property, \$.415 per \$100 valuation for business personal property and \$.483 per \$100 valuation for motor vehicles.

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

Capital Assets

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Interfund Balances

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

Budgetary Process

The District prepares its budgets on the modified accrual basis of accounting, which is the same basis as used to prepare the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

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

The Kentucky Department of Education does not require the Capital Project Funds and Debt Service Funds to prepare budgets.

Cash and Cash Equivalents

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

Inventories

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

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

Prepaid Assets

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Accrued Liabilities and Long-Term Obligations

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

Fund Balances

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

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

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

Net Position

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

capital assets. It is the District's policy to first apply restricted net position and then unrestricted net position when an expense is incurred for which both restricted and unrestricted net position are available.

Operating and Non-Operating Revenues and Expenses

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

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

Contributions of Capital

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

Interfund Activity

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System Non-Hazardous ("CERS") and Teachers Retirement System of the State of Kentucky ("KTRS") and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the pensions. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Estimates

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

New Accounting Pronouncements

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

NOTE B – CASH AND CASH EQUIVALENTS

The District's cash and cash equivalents were interest bearing demand accounts at a local bank. Due to the liquidity nature of these accounts the carrying value is the fair market value. Federal Depository Insurance and pledged securities covers all account balances.

SEE SCHEDULE ON NEXT PAGE

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

		<u>Bank Balance</u>		
<u>Citizens Guaranty Bank</u>	<u>Demand</u>	<u>Time</u>		<u>Total</u>
FDIC	\$ 34,663	\$ 215,337		\$ 250,000
Securities pledged to district	<u>-</u>	<u>2,809,663</u>		<u>2,809,663</u>
Bank balance	\$ <u>34,663</u>	\$ <u>3,025,000</u>		\$ <u>3,059,663</u>

		<u>Bank Balance</u>		
<u>Community Trust Bank</u>	<u>Demand</u>	<u>Time</u>		<u>Total</u>
FDIC	\$ 250,000	\$ -		\$ 250,000
Securities pledged to district	<u>2,266,800</u>	<u>1,500,000</u>		<u>3,766,800</u>
Bank balance	\$ <u>2,516,800</u>	\$ <u>1,500,000</u>		\$ <u>4,016,800</u>

		<u>Book Balance</u>		
	<u>Demand</u>	<u>Time</u>		<u>Total</u>
Governmental Activities	\$ 1,398,899	\$ 4,525,000		\$ 5,923,899
Business-type Activities	55,539	-		55,539
Fiduciary Funds:				
School Activity Funds	<u>339,126</u>	<u>-</u>		<u>339,126</u>
Total carrying amount	\$ <u>1,793,564</u>	\$ <u>4,525,000</u>		\$ <u>6,318,564</u>

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE C – CAPITAL ASSETS

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

	<u>July 1, 2014</u>		<u>Additions</u>		<u>Deductions</u>		<u>June 30, 2015</u>
Land	\$ 658,955	\$	-	\$	-	\$	658,955
Land improvements	1,178,144		-		-		1,178,144
Buildings	42,399,889		-		-		42,399,889
Technology equipment	958,997		-		-		958,997
Vehicles	5,010,111		23,300		50,966		4,982,445
General equipment	339,224		-		-		339,224
Construction in progress	-		90,761		-		90,761
	<u>\$ 50,545,319</u>	\$	<u>114,061</u>	\$	<u>50,966</u>	\$	<u>50,608,414</u>
Land improvements	\$ 925,611	\$	40,433	\$	-	\$	966,044
Buildings	15,753,550		877,581		-		16,631,131
Technology equipment	899,429		37,027		-		936,455
Vehicles	3,249,984		252,672		50,966		3,451,690
General equipment	303,360		11,561		-		314,921
	<u>\$ 21,131,933</u>	\$	<u>1,219,273</u>	\$	<u>50,966</u>	\$	<u>22,300,241</u>
Capital Assets-net	<u>\$ 29,413,386</u>	\$	<u>(1,105,212)</u>	\$	-	\$	<u>28,308,174</u>
	<u>July 1, 2014</u>		<u>Additions</u>		<u>Deductions</u>		<u>June 30, 2015</u>
Buildings	\$ 880,926	\$	-	\$	-	\$	880,926
Technology equipment	35,760		-		-		35,760
General equipment	491,160		-		-		491,160
	<u>\$ 1,407,846</u>	\$	<u>-</u>	\$	<u>-</u>	\$	<u>1,407,846</u>
Vehicles	416,815		17,353		-		434,167
Technology equipment	31,258		1,972		-		33,230
General equipment	376,744		14,134		-		390,878
	<u>\$ 824,817</u>	\$	<u>33,458</u>	\$	<u>-</u>	\$	<u>858,275</u>
Capital Assets-net	<u>\$ 583,029</u>	\$	<u>(33,458)</u>	\$	<u>-</u>	\$	<u>549,571</u>

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

NOTE D – BONDED DEBT OBLIGATIONS

The amount shown in the accompanying financial statements as bonded debt obligations represent the District’s future obligations to make payments relating to the bonds issued by the Rockcastle County School District Finance Corporation aggregating \$5,945,000 and \$830,000 is the portion due within one year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

<u>Bond Issues</u>	<u>Original Amount</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>Bonds</u>			<u>Bonds</u>
				<u>Outstanding June 30, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding June 30, 2015</u>
2011R	\$ 3,835,000	4/1/2018	1.0 - 2.3%	\$ 1,990,000	\$ -	\$ 485,000	\$ 1,505,000
2014R	\$ 1,015,000	8/1/2026	1.0 2.25% - 3.625%	-	1,015,000		1,015,000
2006	1,600,000	7/1/2026	4.25%	1,075,000		995,000	80,000
2008R	\$ 4,905,000	9/1/2020	3.4%	3,575,000		230,000	3,345,000
				<u>\$ 6,640,000</u>	<u>\$ 1,015,000</u>	<u>\$ 1,710,000</u>	<u>\$ 5,945,000</u>

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

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

<u>Fiscal Year Ended at June 30,</u>	<u>Principal</u>		<u>Interest</u>		<u>Principal</u>	<u>Interest</u>
	<u>Local</u>	<u>KSFCC</u>	<u>Local</u>	<u>KSFCC</u>	<u>Total</u>	<u>Total</u>
2016	\$ 675,149	\$ 154,851	\$ 132,698	\$ 29,626	\$ 830,000	\$ 162,324
2017	639,409	130,591	119,957	24,290	770,000	144,248
2018	698,755	141,245	103,862	20,045	840,000	123,908
2019	759,460	145,540	76,386	15,747	905,000	92,133
2020	785,020	149,980	50,311	11,312	935,000	61,623
2021-2025	1,136,393	303,607	48,973	22,264	1,440,000	71,237
2026-2027	140,757	84,243	2,905	1,764	225,000	4,669
	<u>\$ 4,834,943</u>	<u>\$ 1,110,057</u>	<u>\$ 535,091</u>	<u>\$ 125,049</u>	<u>\$ 5,945,000</u>	<u>\$ 660,140</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE E – OTHER LONG TERM OBLIGATIONS

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. The activity during fiscal year 2015 for accumulated sick leave is as follows:

	2014			2015	
	Outstanding	Additions	Retirements	Outstanding	
	<u>Balance</u>			<u>Balance</u>	
Sick Leave	\$ 37,592	\$ 196,838	\$ -	\$ 234,430	
Totals	<u>\$ 37,592</u>	<u>\$ 196,838</u>	<u>\$ -</u>	<u>\$ 234,430</u>	

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

	2014			2015	
<u>Insurance Fund</u>	Outstanding	Additions	Retirements	Outstanding	
	<u>Balance</u>			<u>Balance</u>	
Worker's Compensation	\$ 101,852	\$ -	\$ 25,463	\$ 76,390	

The minimum payments are as follows:

Fiscal Year	
Ended June 30,	
	<u>Payment</u>
2016	\$ 12,732
2017	12,732
2018	12,732
2019	12,732
2020	12,732
2021	<u>12,732</u>
Total	<u><u>\$ 76,390</u></u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE F– RETIREMENT PLANS

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

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

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

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

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 – December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87 At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not available

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

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

Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including 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 Systems. University employees are required to contribute 9.85% of their salaries. KRS 161.580 allows each university to

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

District's proportionate share of CERS net pension liability	\$	5,396,000
Commonwealth's proportionate share of the KTRS net pension liability associated with the district		<u>80,907,662</u>
	\$	<u><u>86,303,662</u></u>

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

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2015, the District's proportion was .166304% (percent).

For the year ended June 30, 2015, the District recognized pension expense of \$613,708 related to CERS and \$7,224,452 related to KTRS. The District also recognized revenue of \$7,224,452 for KTRS support provided by the Commonwealth. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	602,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
District contributions subsequent to the measurement date	<u>698,371</u>	<u>-</u>
	\$ <u><u>698,371</u></u>	\$ <u><u>602,000</u></u>

\$698,371 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:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	<u>Year Ended June</u>	
		<u>30,</u>
2016	\$	139,674
2017		139,674
2018		139,674
2019		139,674
2020		<u>139,674</u>
	\$	<u><u>698,371</u></u>

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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	100.0%	

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

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

Sensitivity of CERS and KTRS proportionate share of net pension liability to changes in the discount rate—The following table presents the net pension liability of the District, calculated using the discount rates selected by each pension system, as well as what the District’s net pension liability

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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	Current Discount Rate	1% Increase
CERS	6.75%	7.75%	8.75%
District's proportionate share of net pension liability	6,091,719	5,396,000	4,699,326
KTRS	4.23%	5.23%	6.23%
District's proportionate share of net pension liability	-	-	-

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

NOTE H – COMMITMENTS

The District has commitments of \$1,005,487 as of June 30, 2015 for future construction projects.

NOTE I - CONTINGENCIES

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

NOTE J - LITIGATION

The Rockcastle County School District does not have any material pending litigation.

NOTE K – INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, illegal acts etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which include Workers’ Compensation insurance.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE L – RISK MANAGEMENT

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

NOTE M – DEFICIT FUND AND OPERATING BALANCES

The following funds had an operating deficit at the end of the fiscal year causing a reduction in balance:

<u>Fund</u>	<u>Reduction in Fund Balance / Net Position</u>
Governmental Activities	\$ (397,787)
Business-Type Activities	(25,860)
General Fund	(291,983)
Construction Fund	(70,705)
School Activity Fund	\$ (16,381)

NOTE N - COBRA

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

NOTE O – TRANSFER OF FUNDS

The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Amount</u>	<u>Purpose</u>
Operating	General	Special Revenue	\$ 61,985	KETS Matching Funds
Debt Service	FSPK	Debt Service	\$ 791,847	Debt Payments

NOTE P – ON-BEHALF PAYMENTS

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

SEE SCHEDULE ON NEXT PAGE

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

<u>Plan/Description</u>	<u>Amount</u>
Kentucky Teachers Retirement System (GASB Schedule A)	\$ 1,906,615
Health Insurance	3,208,162
Life Insurance	5,826
Administrative Fee	39,999
HRA/Dental/Vision	164,938
Federal Reimbursement	(223,719)
Technology	64,607
SFCC Debt Service Payments	<u>184,964</u>
Total	\$ <u>5,351,391</u>

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

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

GASB 68 required retrospective application. Since the District only presents one year of financial information, the beginning net pension was adjusted to reflect the retrospective application. The adjustment resulted in a \$5,384,292 reduction in beginning net position on the Statement of Activities and an increase of \$720,708 of deferred outflows of resources – District contributions subsequent to the measurement date.

NOTE R – RESTRICTED FUND BALANCES

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
Construction	\$ 1,103,472	Future Construction
Capital Outlay	515,828	School Facilities Construction Commission Requirement
FSPK	\$ 295,134	School Facilities Construction Commission Requirement

NOTE S– SUBSEQUENT EVENTS

The District has evaluated subsequent events through November 13, 2015, the date the financial statements were available to be issued.

ROCKCASTLE COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

	Reporting Fiscal Year (Measurement Date) 2015 (2014)
COUNTY EMPLOYEE'S RETIREMENT SYSTEM:	
Districts' proportion of the net pension liability	0.17%
District's proportionate share of the net pension liability	\$ 5,396,000
State's proportionate share of the net pension liability associated with the District	-
Total	\$ 5,396,000
District's covered-employee payroll	\$ 3,807,050
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	141.74%
Plan fiduciary net position as a percentage of the total pension liability	66.80%
KENTUCKY TEACHER'S RETIREMENT SYSTEM:	
Districts' proportion of the net pension liability	0.393%
District's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the District	80,907,662
Total	\$ 80,907,662
District's covered-employee payroll	\$ -
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.000%
Plan fiduciary net position as a percentage of the total pension liability	45.59%

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

See the accompanying notes to the required supplementary information.

ROCKCASTLE COUNTY SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS

	2015	2014
COUNTY EMPLOYEE'S RETIREMENT SYSTEM:		
Contractually required contribution	\$ 698,371	\$ 719,153
Contributions in relation to the contractually required contribution	698,371	\$ 719,153
Contribution deficiency (excess)	-	-
District's covered-employee payroll	\$ 3,952,293	\$ 3,807,050
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	17.67%	18.89%
 KENTUCKY TEACHER'S RETIREMENT SYSTEM:		
Contractually required contribution	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-
Contribution deficiency (excess)	-	-
District's covered-employee payroll	\$ -	\$ -
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	0.00%	0.00%

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

See the accompanying notes to the required supplementary information.

ROCKCASTLE COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the year ended June 30, 2015

Changes of benefit terms – None

Changes of assumptions – None

Rockcastle County School District
Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2015

Other Governmental Funds								
		<u>Capital Outlay</u>		<u>FSPK</u>		<u>Permanent Fund</u>		<u>Total</u>
Assets								
Cash and Cash Equivalents	\$	515,828	\$	295,134	\$	-	\$	810,962
Investments						25,000		25,000
Total Assets		<u>515,828</u>		<u>295,134</u>		<u>25,000</u>		<u>835,962</u>
Fund Balance								
Nonspendable						25,000		25,000
Restricted		<u>515,828</u>		<u>295,134</u>				<u>810,962</u>
Total Fund Balance	\$	<u>515,828</u>	\$	<u>295,134</u>	\$	<u>25,000</u>	\$	<u>835,962</u>

See the accompanying notes to the financial statements.

Rockcastle County School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
Year ended June 30, 2015

	Other Governmental Funds			
	Capital Outlay	FSPK	Permanent Fund	Total
Revenues				
From Local Sources				
Taxes				
Property	\$ -	\$ 260,020	\$ -	\$ 260,020
Intergovernmental - State	258,267	707,190		965,457
Total Revenues	258,267	967,210	-	1,225,477
Expenditures				
Building Acquisitions & Construction				-
Total Expenditures	-	-	-	-
Excess (Deficit) of Revenues Over Expenditures	258,267	967,210	-	1,225,477
Other Financing Sources (Uses)				
Transfers Out		(791,847)		(791,847)
Total Other Financing Sources (Uses)	-	(791,847)	-	(791,847)
Net Change in Fund Balances	258,267	175,364	-	433,631
Fund Balance Beginning	257,561	119,771	25,000	402,332
Fund Balance Ending	\$ 515,828	\$ 295,134	\$ 25,000	\$ 835,962

See the accompanying notes to the financial statements.

Rockcastle County School District
Combining Balance Sheet of Fiduciary Fund - School Activity Funds
 June 30, 2015

SCHOOL ACTIVITY FUNDS

	<u>ROCKCASTLE CO HIGH SCHOOL</u>	<u>ROCKCASTLE CO MIDDLE SCHOOL</u>	<u>BROADHEAD ELEMENTARY</u>	<u>MT. VERNON ELEMENTARY</u>	<u>ROUNDSTONE ELEMENTARY</u>	<u>TOTAL</u>
ASSETS						
Cash and cash equivalents	\$ 193,285	\$ 65,092	\$ 33,076	\$ 40,336	\$ 7,337	\$ 339,126
Accounts receivable	-	447	1,398	-	-	1,845
Total Assets	<u>193,285</u>	<u>65,539</u>	<u>34,474</u>	<u>40,336</u>	<u>7,337</u>	<u>340,971</u>
LIABILITIES						
Accounts payable	3,150	921	-	-	776	4,847
FUND BALANCE						
School activities	<u>190,134</u>	<u>64,618</u>	<u>34,474</u>	<u>40,336</u>	<u>6,561</u>	<u>336,123</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 193,285</u>	<u>\$ 65,539</u>	<u>\$ 34,474</u>	<u>\$ 40,336</u>	<u>\$ 7,337</u>	<u>\$ 340,971</u>

See the accompanying notes to the financial statements.

Rockcastle County School District
Combining Statement of Revenues, Expenses and Changes In Fund Balance
- School Activity Fund
Year ended June 30, 2015

	SCHOOL ACTIVITY FUNDS					
	ROCKCASTLE CO HIGH SCHOOL	ROCKCASTLE CO MIDDLE SCHOOL	BROADHEAD ELEMENTARY	MT. VERNON ELEMENTARY	ROUNDSTONE ELEMENTARY	TOTAL
Revenues						
Student/Trust revenues	\$ 415,038	\$ 195,781	\$ 62,242	\$ 92,671	\$ 21,417	\$ 787,150
Expenses						
Student/Trust activities	448,072	197,039	54,338	83,285	20,798	803,532
Excess (Deficit) of Revenues Over Expenses	(33,033)	(1,258)	7,904	9,387	619	(16,381)
Fund Balance Beginning	223,168	65,876	26,570	30,949	5,942	352,505
Fund Balance Ending	\$ 190,134	\$ 64,618	\$ 34,474	\$ 40,336	\$ 6,561	\$ 336,123

See the accompanying notes to the financial statements.

Rockcastle County School District
Statement of Revenues, Expenses and Changes in the Fund Balance - Rockcastle County High School
Year ended June 30, 2015

	FUND BALANCE BEGINNING	REVENUES	EXPENSES	TRANSFERS	FUND BALANCE ENDING
GENERAL	\$ 19,973	\$ 33,541	\$ 39,039	\$ (1,090)	\$ 13,384
YOUTH SERVICES CENTER	4,184	2,046	729	(36)	5,465
UNITE	464	1,097	1,103	18	476
GAME CLUB	43	123	72	-	93
PINTEREST PROJECT	27	-	-	-	27
FELLOWSHIP OF CHRISTIAN ATHLETES	163	392	45	-	510
SPECIAL NEEDS	51	164	215	-	-
DUCT TAPE CLUB	30	-	-	-	30
JROTC	4,863	14,106	13,751	500	5,718
RCHS ACADEMIC	837	681	1,462	(14)	42
JAPANESE CLUB	-	403	193	51	260
FLORAL CLUB	95	215	295	-	15
CREATIVE WRITING	58	-	-	(58)	-
ZOMBIE CLUB	18	-	-	(18)	-
RELAY FOR LIFE	17	225	-	-	242
STLP	77	-	-	(77)	-
INTERNATIONAL CLUB	462	185	-	-	647
DANCE BLUE CLUB	2,156	5,104	6,188	273	1,344
SPACE CLASS	-	375	95	-	280
FASHION CLUB	-	124	40	-	85
ROCKET CLUB	860	400	409	(150)	701
YOUNG REPUBLICANS	29	2,463	1,812	340	1,021
YOUNG DEMOCRATS	274	235	162	(60)	287
NATIONAL HONOR SOCIETY	1,389	1,544	1,731	-	1,202
CARD SHARKS	19	18	-	(14)	23
FILM APPRECIATION CLUB	322	-	-	(322)	-
FUTURE TEACHER CLUB	-	300	279	-	21
KEY CLUB	6,444	1,366	2,807	(118)	4,885
MATH CLUB	226	135	227	(50)	84
KINDNESS	-	51	29	-	22
Y CLUB	293	4,964	5,226	66	96
3 ON 3	25	-	-	-	25
BAND	1,564	38,053	39,346	280	551
ENVIRONMENTAL CLUB	-	418	481	63	-
MARTIAL ARTS CLUB	11	130	121	22	41
STUDENT COUNCIL	397	1,602	1,387	(311)	301
STAFF CLIMATE	583	699	978	-	304
CONCESSIONS	-	17,027	11,825	(5,203)	-
GIRLS ARCHERY	-	175	721	546	-
GIRLS BASS FISHING	-	1,925	2,211	500	214
FACULTY VENDING	246	2,211	2,417	-	40
EXAMS GUIDANCE	4,068	9,884	10,594	-	3,358
PHYSICAL EDUCATION	-	389	284	(49)	56
HISTORY SOCIAL STUDIES	934	363	727	(340)	229
ATHLETICS	109,677	62,972	36,240	(41,299)	95,111
BOYS ARCHERY	-	175	721	546	-
BASS FISHING	-	1,925	2,211	500	214
BOYS BASKETBALL	-	-	5,541	5,381	(160)
TIP OFF BOYS BASKETBALL	-	15,088	14,442	(336)	310
GIRLS BASKETBALL	-	-	6,014	5,614	(400)
LADY ROCKETS	6,596	25,446	27,268	(85)	4,689
BASEBALL	-	-	3,726	3,726	-
DUGOUT RCHS BASEBALL	2,019	6,580	8,298	-	301
FOOTBALL	-	1,000	8,189	7,189	-
QUARTERBACK CLUB	5,011	18,050	19,915	206	3,351
SOFTBALL	-	-	4,707	4,707	-
SOFTBALL BOOSTERS	1,865	10,123	11,500	472	960
GIRLS GOLF BOOSTERS	856	2,700	3,244	(305)	7
GIRLS GOLF	-	-	1,670	1,670	-
GOLF BOYS	-	-	1,918	1,918	-
BOYS GOLF BOOSTERS	405	3,054	2,581	(818)	61
BOYS TRACK TRACK RUN	-	1,501	615	(836)	50
TRACK BOYS	-	-	1,823	1,823	-
TRACK GIRLS	-	-	1,177	1,177	-
CROSS COUNTRY GIRLS	-	-	1,517	1,517	-
CROSS COUNTRY BOYS	-	-	987	987	-
VOLLEYBALL BOOSTERS	17	7,030	5,613	(92)	1,342
VOLLEYBALL	-	200	3,462	3,262	-
TENNIS GIRLS	-	-	485	500	15
SWIM	-	-	1,757	1,757	-
SWIM ROCKETS	376	2,751	2,263	(524)	341
FFA	64	22,950	22,904	1,071	1,181
KY RIVER REGION FFA	2,220	3,206	1,548	(1,406)	2,472
FCCLA	2,771	21,414	22,711	396	1,871
BRISTRO CAFÉ	104	-	-	(104)	-
CHEERLEADERS	2,112	8,618	9,908	(150)	672
AGRICULTURE	6,174	1,720	2,190	(491)	5,212
AGR CONSTRUCTION	312	1,100	2,593	1,241	60
YOUNG FARMERS	12,379	4,775	4,431	(447)	12,276
ART BOOSTERS	-	1,200	1,200	-	-
CHORUS	257	9,341	8,766	(360)	472
PROM	1,120	5,070	5,509	(14)	667
YEARBOOK	15,640	20,127	20,799	-	14,968
EMERIC SCH INTEREST	70	206	-	-	275
THE ROCKET RED GLARE	232	-	-	-	232
PROJECT GRADUATION 2011	-	12,180	19,200	7,020	-
UK READERS GRANT	-	-	(165)	(165)	-
LIBRARY	364	1,067	1,201	-	230
TECH STUDENT ASSOCIATION	828	338	392	-	774
WELLNESS HEALTH	500	-	-	-	500
TOTALS	\$ 223,168	\$ 415,038	\$ 448,072	\$ (0)	\$ 190,134

See the accompanying notes to the financial statements.

ROCKCASTLE COUNTY SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Rockcastle 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 amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. At June 30, 2015, the District had food commodities totaling \$92,372.

Rockcastle County School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2015

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Expenditures
US Department of Agriculture				
Passed Through State Department of Education				
School Breakfast Program	10.553			
Fiscal Year 14		7760005 14	\$ N/A	\$ 54,094
Fiscal Year 15		7760005 15	N/A	219,830
National School Lunch Program	10.555			
Fiscal Year 14		7750002 14	N/A	166,479
Fiscal Year 15		7750002 15	N/A	679,381
Child Nutrition Cluster Subtotal				<u>1,119,784</u>
Passed Through State Department of Agriculture				
Food Donation-Commodities	10.565			
Fiscal Year 15		510.4950	N/A	92,372
Total US Department of Agriculture				<u>1,212,156</u>
US Department of Education				
Passed Through State Department of Education				
* Title I Grants to Local Educational Agencies	84.010A			
Fiscal Year 14		3100002 14	1,159,053	459,020
Fiscal Year 14M		3100002 14	16,546	9,301
Fiscal Year 15		3100002 15	1,074,499	533,839
Fiscal Year 15M		3100002 15	56,483	40,251
				<u>1,042,411</u>
* Special Education Grants to States	84.027A			
Fiscal Year 13		3810002 13	573,570	130
Fiscal Year 14		3810002 14	530,758	21,528
Fiscal Year 15		3810002 15	541,629	540,819
* Special Education - Preschool Grants	84.173A			
Fiscal Year 14		3800002 14	28,648	8,946
Fiscal Year 15		3800002 15	28,648	28,552
Special Education Cluster Subtotal				<u>599,976</u>
Vocation Education - Basic Grants to States	84.048			
Fiscal Year 14		3710002 14	18,495	472
Fiscal Year 15		3710002 15	21,299	19,388
				<u>19,860</u>
Rural Education	84.358B			
Fiscal Year 14		3140002 14	51,548	6,572
Fiscal Year 15		3140002 15	59,820	50,271
				<u>56,843</u>
Improving Teacher Quality State Grants	84.367A			
Fiscal Year 14		3230002 14	195,987	4,263
Fiscal Year 15		3230002 15	194,695	171,863
				<u>176,127</u>
Race to the Top	84.413A			
Fiscal Year 11		39600002 11	52,517	7,295
Passed Through Berea College				
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A			
Fiscal Year 11		3791G	570,588	1,561
Fiscal Year 12		3792G	126,599	1,959
Fiscal Year 14		3794G	194,112	39,989
Fiscal Year 15		379AG	161,822	147,712
				<u>191,220</u>
Passed through Workforce Development Cabinet				
Recruitment, Retention, and Results	84.002			
Fiscal Year 15		365A	15,024	10,458
Adult Education State Grant Program	84.002			
Fiscal Year 15S		373AS	472	472
Total Adult Education				<u>10,930</u>
Total US Department of Education				<u>2,104,662</u>
US Department of Labor				
Passed Through Lake Cumberland Area Development District				
WIA Year Round Youth Program	17.259			
Fiscal Year 13A		5883A	48,250	289
Fiscal Year 15A		588AA	48,500	48,500
Total US Department of Labor				<u>48,789</u>
US Department of Defense				
ROTC	12.000			
Fiscal Year 15		5045	70,127	67,701
Total U.S. Department of Defense				<u>67,701</u>
Total Expenditure of Federal Awards				<u>\$ 3,433,309</u>

* Major program

See accompanying notes to the schedule of expenditures of federal awards.

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

To the Rockcastle County Board of Education and
State Committee for School District Audits
Mount Vernon, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Auditor Responsibilities* and *State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Rockcastle County School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Rockcastle County School District's basic financial statements, and have issued our report thereon dated November 13, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Rockcastle County School District, in a separate letter dated November 13, 2015.

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

Purpose of this Report

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

White & Associates, P.C.

Richmond, Kentucky
November 13, 2015



CERTIFIED PUBLIC ACCOUNTANTS

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

To the Rockcastle County Board of Education and
State Committee for School District Audits
Mount Vernon, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Rockcastle County School District’s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Rockcastle County School District’s major federal programs for the year ended June 30, 2015. Rockcastle 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 Rockcastle 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Auditor Responsibilities* and *State Compliance Requirements* sections contained in the Kentucky Public School Districts’ Audit Contract and Requirements. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Rockcastle 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 Rockcastle County School District’s compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

White & Associates, PSC

Richmond, Kentucky
November 13, 2015

ROCKCASTLE COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2015

SUMMARY OF AUDITOR’S RESULTS

What type of report was issued for the financial statements?	Unmodified
Were there significant deficiencies in internal control disclosed? If so, was any significant deficiencies material (GAGAS)?	None Reported
Was any material noncompliance reported (GAGAS)?	No
Were there material weaknesses in internal control disclosed for major programs?	No
Were there any significant deficiencies in internal control disclosed that were not considered to be material weaknesses?	None Reported
What type of report was issued on compliance for major programs?	Unmodified
Did the audit disclose findings as it relates to major programs that Is required to be reported as described in Section 510(a) of OMB A-133?	No
Major Programs	Title I [CFDA 84.010A] Special Education Cluster [CFDA 84.027A, 84.173A]
Dollar threshold of Type A and B programs	\$300,000
Low risk auditee?	Yes

FINDINGS - FINANCIAL STATEMENT AUDIT

No findings at the financial statement level.

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
 AUDIT**

No findings at the major federal award programs level.

ROCKCASTLE COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2015

There were no prior year findings.