

# **Scott County School District**

**Financial Statements  
With Supplementary Information  
Year Ended June 30, 2015  
With Independent Auditors' Report**

# SCOTT COUNTY SCHOOL DISTRICT

Year Ended June 30, 2015

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# SCOTT COUNTY SCHOOL DISTRICT

Year Ended June 30, 2015

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### Supplementary Information:

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## Independent Auditors' Report

To the Members of the Board of Education  
Scott County School District  
Georgetown, Kentucky

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Scott County School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Scott County School 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.

### Auditors' 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. 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 Scott County School District, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Independent Auditors' Report  
(Continued)**

**Other Matters**

***Change in Accounting Principle***

As described in note 18 to the financial statements, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this item.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison 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 Scott County School District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis 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 combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

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

*Barnes, Dennig & Co., Ltd.*

## **SCOTT COUNTY SCHOOL DISTRICT**

### **Management's Discussion and Analysis (MD&A) Year Ended June 30, 2015**

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

#### **FINANCIAL HIGHLIGHTS**

The Scott County School District completed the 2014/2015 fiscal year in a position of financial readiness with the General Fund reflecting an ending (unassigned) fund balance of \$3.7 million. This \$3.7 million is in addition to \$5.1 million in committed funds, \$0.7 million in assigned funds and \$0.2 million in non-spendable prepaid funds.

On January 9, 2007, the Board approved an Educational Broadband service Lease Agreement with Nextel Spectrum Acquisition Corporation, a wholly-owned indirect subsidiary of Sprint Nextel Corporation, that provided a onetime payment to the Board of \$600,000; plus \$6,000 per month in years 1 through 5, \$7,000 per month in years 6 through 15, \$8,000 per month in years 16 through 20, \$9,000 per month in years 21 through 25, \$10,000 per month in years 26 through 30. The Board restricted the use of these funds for equipment for Elkhorn Crossing School (Scott County's Career and Technical School).

Scott County Schools' K-12 average daily membership totaled 8633 students in the 2014-15 fiscal year, an increase of 140 students since the previous school year. These students are housed in 14 schools including 1 career and technical school, 1 high school, 3 middle schools and 8 elementary schools.

The District completed construction of phase II Lemons Mill Elementary School in June 2014. On May 6, 2014, the Board approved construction of a second high school adjacent to Elkhorn Crossing School to be built in phases as financing is available. Bonds are issued to fund construction of facilities consistent with a long-rang facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) compliance regulations.

On October 7, 2014 the District incurred \$2,872,912 in damage to buildings and fleet from a hail storm. Repairs were covered by the Districts' property insurance. The General Fund includes receipts of \$681,237 net of repair cost.

The General Fund recognized \$52,629,343 in revenue consisting primarily of local property, occupational license, utilities, motor vehicle taxes and the state program (SEEK) allocation. An additional \$11,829,688 representing payments made on the District's behalf, by the State, for teachers' retirement contribution, employees' health insurance and technology costs were recognized as revenue.

The District administered over \$13.6 million in Federal, State and local grants and other programs during the year.

General Fund expenditures were \$63,867,230. Salaries and related costs total \$55,331,289 or 87% of the general operating expenditures. Included in this amount is \$11,719,044 in retirement contribution and employees' health insurance costs paid by the state on the District's behalf.

**SCOTT COUNTY SCHOOL DISTRICT**

**Management's Discussion and Analysis (MD&A)  
Year Ended June 30, 2015  
(Continued)**

**OVERVIEW OF FINANCIAL STATEMENTS**

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

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

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

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

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

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

***Fund financial statements.*** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our vending and food service operations 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 pages 11 through 19 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 district-wide and fund financial statements. The notes to the financial statements can be found on pages 20 through 40 of this report.

**SCOTT COUNTY SCHOOL DISTRICT**

**Management's Discussion and Analysis (MD&A)  
Year Ended June 30, 2015  
(Continued)**

**DISTRICT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities by \$30,368,826 as of June 30, 2015.

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

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

**Net Position for the periods ending June 30, 2015 and 2014**

The following is a summary of net position for the fiscal years ended June 30, 2015 and 2014.

|  | <u>2015</u>          | <u>2014</u>          |
|--|----------------------|----------------------|
| Current assets                             | \$ 18,939,574        | \$ 18,405,158        |
| Noncurrent assets                          | <u>141,492,991</u>   | <u>143,620,356</u>   |
| Total assets                               | <u>160,432,565</u>   | <u>162,025,514</u>   |
| Deferred outflows                          | <u>4,270,576</u>     | <u>2,551,020</u>     |
| Current liabilities                        | 13,207,160           | 12,768,218           |
| Noncurrent liabilities                     | <u>121,127,155</u>   | <u>112,076,625</u>   |
| Total liabilities                          | <u>134,334,315</u>   | <u>124,844,843</u>   |
| Net position                               |                      |                      |
| Investment in capital assets (net of debt) | 32,870,310           | 27,025,820           |
| Restricted                                 | 8,017,776            | 2,949,086            |
| Unrestricted                               | <u>(10,519,260)</u>  | <u>9,756,785</u>     |
| Total net position                         | <u>\$ 30,368,826</u> | <u>\$ 39,731,691</u> |

**Comments on General Fund Budget Comparisons**

- The District's total General Fund revenue for the fiscal year ended June 30, 2015, net of interfund transfers and sale of assets, was \$63,204,860.

**SCOTT COUNTY SCHOOL DISTRICT**

**Management's Discussion and Analysis (MD&A)  
Year Ended June 30, 2015  
(Continued)**

**DISTRICT-WIDE FINANCIAL ANALYSIS (Continued)**

**Comments on General Fund Budget Comparison (Continued)**

- General Fund budget compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$1,938,937 more than budget or approximately 3.1%. This is a result of the District recording "on behalf" payments made by the State
- The total cost of General Fund programs and services was \$63,531,422, net of interfund transfers and debt service.
- General Fund budget expenditures to actual varied slightly in Instruction. Actual expenditures were \$487,111 greater than budget. This is a result of the District recording "on behalf" payments made by the State.

The following table presents a summary of revenues and expenses for the fiscal years ended June 30, 2015 and 2014.

|                                  | <u>2015</u>         | <u>2014</u>         |
|----------------------------------|---------------------|---------------------|
| <b>Revenues</b>                  |                     |                     |
| Program revenues                 |                     |                     |
| Charges for services             | \$ 2,979,963        | \$ 2,688,459        |
| Operating grants                 | 10,570,904          | 20,058,059          |
| Capital grants                   | <u>3,667,857</u>    | <u>3,595,783</u>    |
| Total grant revenues             | <u>17,218,724</u>   | <u>26,342,301</u>   |
| General Revenues                 |                     |                     |
| Taxes                            | 29,313,719          | 28,101,766          |
| Grants and entitlements          | 45,845,519          | 27,257,585          |
| Earnings on investments          | 91,148              | 107,580             |
| Miscellaneous                    | <u>3,225,393</u>    | <u>504,585</u>      |
| Total general revenues           | <u>78,475,779</u>   | <u>55,971,516</u>   |
| Total revenues                   | <u>95,694,503</u>   | <u>82,313,817</u>   |
| <b>Expenses</b>                  |                     |                     |
| Instructional                    | \$ 53,325,066       | \$ 44,276,179       |
| Student support services         | 4,964,577           | 4,606,102           |
| Staff support                    | 3,571,279           | 3,659,570           |
| District administration          | 1,675,922           | 1,209,809           |
| School administration            | 4,145,256           | 4,005,921           |
| Business support                 | 1,391,315           | 1,324,575           |
| Plant operations                 | 5,928,897           | 6,052,655           |
| Student transportation           | 5,228,015           | 4,843,729           |
| Food service operation           | 4,640,474           | 4,890,982           |
| Day Care                         | 1,110,026           | 1,057,278           |
| Other                            | 497,395             | 517,695             |
| Interest on long-term debt       | <u>3,863,146</u>    | <u>4,090,724</u>    |
| Total expenses                   | <u>90,341,368</u>   | <u>80,535,219</u>   |
| Excess of revenues over expenses | <u>\$ 5,353,135</u> | <u>\$ 1,778,598</u> |

**SCOTT COUNTY SCHOOL DISTRICT**

**Management's Discussion and Analysis (MD&A)  
Year Ended June 30, 2015  
(Continued)**

**DISTRICT-WIDE FINANCIAL ANALYSIS (Continued)**

**General Fund Revenue**

The majority of revenue was derived from State SEEK Funds and State On Behalf (49%) with local funding making up 36% of total revenue.

**Analysis of balances and transactions of individual funds (in thousands)**

| <u>Fund</u>     | <u>Beginning</u> | <u>Revenues</u> | <u>Expenses</u> | <u>Transfers in (out)</u> | <u>Ending</u> |
|-----------------|------------------|-----------------|-----------------|---------------------------|---------------|
| General         | \$9,509          | \$63,950        | \$63,867        | \$258                     | \$9,850       |
| Special revenue | 84               | 7,175           | 7,138           | 140                       | 261           |
| Capital outlay  | 127              | 788             | -               | (483)                     | 432           |
| Building        | 1                | 8,079           | -               | (7,795)                   | 285           |
| Construction    | 2,548            | 3               | 2,406           | 484                       | 629           |

**Capital Assets and Long-Term Debt Activity (in thousands)**

|                          | <u>Beginning</u> | <u>Additions</u> | <u>Deductions</u> | <u>Ending</u> |
|--------------------------|------------------|------------------|-------------------|---------------|
| <b>Governmental</b>      |                  |                  |                   |               |
| Capital assets           | \$200,319        | \$3,352          | \$480             | \$203,191     |
| Accumulated depreciation | 57,657           | 5,269            | 438               | 62,488        |
| <b>Business-type</b>     |                  |                  |                   |               |
| Capital assets           | 2,411            | -                | 13                | 2,398         |
| Accumulated depreciation | 1,452            | 167              | 11                | 1,608         |
| Bonds payable            | 114,700          | -                | 5,350             | 109,350       |
| Capital leases payable   | 1,193            | -                | 247               | 946           |

**BUDGETARY IMPLICATIONS**

In Kentucky, the public schools fiscal year is July 1<sup>st</sup> – June 30<sup>th</sup>; other programs, i.e. some federal programs operate on a different fiscal calendar, but are reflected in the district overall budget. The district's budget for 2015 completed the year with a budgeted General Fund Contingency Reserve of \$3,398,390.

With a current K-12 average daily membership of 8,633 students, Scott County School District has experienced an average annual growth in average daily membership of 202 students or 3.05% per year over the last ten years. To accommodate this increase in enrollment, the district has been building new schools and renovating and expanding existing schools. These new and expanded facilities come with increased cost for utilities; maintenance of grounds and facilities, and additional personnel costs (instructional, administrative and support staffing). New schools also require funds for the purchase of additional computers, library books, instructional materials and equipment that can only be paid from the General Fund.

In the past, these costs have been offset by increases in state funding (SEEK), increases in business and residential property subject to local taxation, and increases in utility, occupational license tax on wages and net profits tax revenues. However, as with all Kentucky school districts, revenue from property tax is limited to a 4% annual growth on previous year existing property. The low growth in property assessments (an average of 1.847% per year since 2008/2009) subject to taxation has diminished the Board's ability to add facilities to meet current student enrollment growth.

**SCOTT COUNTY SCHOOL DISTRICT**

**Management's Discussion and Analysis (MD&A)  
Year Ended June 30, 2015  
(Continued)**

**BUDGETARY IMPLICATIONS (CONTINUED)**

For the first time this year, we are being required to record the portion of the unfunded State liability of the Kentucky Teachers Retirement System (KTRS) attributable to our employees, in our financial statements. A substantial percentage of this liability is the result of the State Legislature not making the necessary contributions to fully fund KTRS. It remains to be seen if districts, including our own, will be required to contribute more toward this KTRS liability.

These growth related costs, along with the continuing need to increase student capacity, and limited state revenue growth, will continue to create budgetary challenges for the Scott County School District.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the school district's finances and to reflect the school district's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to Superintendent, Patricia Putty or Finance Officer, Randy Cutright at (502) 863-3663 or by mail, to Scott County Public Schools, PO Box 578, Georgetown, Kentucky 40324.

**SCOTT COUNTY SCHOOL DISTRICT**

**Statement of Net Position – District Wide  
Year Ended June 30, 2015**

|   | <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> | <u>Total</u>         |
|---|------------------------------------|-------------------------------------|----------------------|
| <b>Assets</b>                                   |                                    |                                     |                      |
| <b>Current:</b>                                 |                                    |                                     |                      |
| Cash and cash equivalents                       | \$ 14,871,084                      | \$ 1,008,395                        | \$ 15,879,479        |
| Accounts receivable                             | 2,678,216                          | 28,275                              | 2,706,491            |
| Prepays   | 196,608                            | -                                   | 196,608              |
| Inventories for consumption                     | -                                  | 156,996                             | 156,996              |
| Total current                                   | <u>17,745,908</u>                  | <u>1,193,666</u>                    | <u>18,939,574</u>    |
| <b>Noncurrent:</b>                              |                                    |                                     |                      |
| Construction in progress                        | 668,841                            | -                                   | 668,841              |
| Nondepreciated capital assets:                  |                                    |                                     | -                    |
| Land  | 6,463,345                          | -                                   | 6,463,345            |
| Depreciated capital assets:                     |                                    |                                     | -                    |
| Land improvements                               | 4,923,795                          | -                                   | 4,923,795            |
| Buildings and improvements                      | 175,962,418                        | -                                   | 175,962,418          |
| Furniture and equipment                         | 15,172,742                         | 2,397,985                           | 17,570,727           |
| Less: accumulated depreciation                  | <u>(62,487,787)</u>                | <u>(1,608,348)</u>                  | <u>(64,096,135)</u>  |
| Total noncurrent                                | <u>140,703,354</u>                 | <u>789,637</u>                      | <u>141,492,991</u>   |
| Total assets                                    | <u>158,449,262</u>                 | <u>1,983,303</u>                    | <u>160,432,565</u>   |
| <b>Deferred Outflows</b>                        | <u>4,183,587</u>                   | <u>86,989</u>                       | <u>4,270,576</u>     |
| <b>Liabilities and Net Position</b>             |                                    |                                     |                      |
| <b>Liabilities</b>                              |                                    |                                     |                      |
| <b>Current:</b>                                 |                                    |                                     |                      |
| Current portion of bonds payable                | 5,420,000                          | -                                   | 5,420,000            |
| Accounts payable                                | 983,771                            | 10,226                              | 993,997              |
| Accrued interest                                | 1,389,219                          | -                                   | 1,389,219            |
| Accrued sick leave                              | 127,545                            | -                                   | 127,545              |
| Accrued payroll and related expenses            | 3,520,259                          | -                                   | 3,520,259            |
| Current portion of capital leases               | 245,141                            | -                                   | 245,141              |
| Unearned revenues                               | 1,458,739                          | 52,260                              | 1,510,999            |
| Total current                                   | <u>13,144,674</u>                  | <u>62,486</u>                       | <u>13,207,160</u>    |
| <b>Noncurrent:</b>                              |                                    |                                     |                      |
| Accrued sick leave                              | 1,147,903                          | -                                   | 1,147,903            |
| Capital leases                                  | 701,059                            | -                                   | 701,059              |
| CERS net pension liability                      | 14,064,488                         | 651,512                             | 14,716,000           |
| Bond obligations                                | 104,562,193                        | -                                   | 104,562,193          |
| Total noncurrent                                | <u>120,475,643</u>                 | <u>651,512</u>                      | <u>121,127,155</u>   |
| Total liabilities                               | <u>133,620,317</u>                 | <u>713,998</u>                      | <u>134,334,315</u>   |
| <b>Net Position</b>                             |                                    |                                     |                      |
| Invested in capital assets, net of related debt | 32,080,673                         | 789,637                             | 32,870,310           |
| Restricted                                      | 8,017,776                          | -                                   | 8,017,776            |
| Unrestricted                                    | <u>(11,085,917)</u>                | <u>566,657</u>                      | <u>(10,519,260)</u>  |
| Total net position                              | <u>\$ 29,012,532</u>               | <u>\$ 1,356,294</u>                 | <u>\$ 30,368,826</u> |

The accompanying notes are an integral part of these financial statements.

**SCOTT COUNTY SCHOOL DISTRICT**

**Statement of Activities – District Wide  
Year Ended June 30, 2015**

| Function/Programs                     | Expenses             | Program Revenues        |   |  | Net (expense) Revenue and Changes<br>in Net Position |                             |                      |
|---------------------------------------|----------------------|-------------------------|---|--|--|-----------------------------|----------------------|
|                                       |                      | Charges for<br>Services | Operating<br>Grants and<br>Contributions  | Capital Grants<br>and<br>Contributions | Governmental<br>Activities                           | Business-type<br>Activities | Total                |
| <b>Governmental activities:</b>       |                      |                         |   |  |  |                             |                      |
| Instructional                         | \$ 53,325,066        | \$ 111,409              | \$ 5,090,177                              | \$ -                                   | \$ (48,123,480)                                      | \$ -                        | \$ (48,123,480)      |
| Student support services              | 4,964,577            | -                       | 543,728                                   | -                                      | (4,420,849)  | -                           | (4,420,849)          |
| Staff support services                | 3,571,279            | -                       | 807,547                                   | -                                      | (2,763,732)  | -                           | (2,763,732)          |
| District administration               | 1,675,922            | -                       | -   | -                                      | (1,675,922)  | -                           | (1,675,922)          |
| School administration                 | 4,145,256            | -                       | 452                                       | -                                      | (4,144,804)  | -                           | (4,144,804)          |
| Business support services             | 1,391,315            | -                       | -   | -                                      | (1,391,315)  | -                           | (1,391,315)          |
| Plant operation and maintenance       | 5,928,897            | -                       | 55,866                                    | -                                      | (5,873,031)  | -                           | (5,873,031)          |
| Student transportation                | 5,228,015            | 64,362                  | 181,819                                   | -                                      | (4,981,834)  | -                           | (4,981,834)          |
| Community service operations          | 495,439              | -                       | 495,439                                   | -                                      | -  | -                           | -                    |
| Facility acquisition and construction | -                    | -                       | -   | 3,667,857                              | 3,667,857  | -                           | 3,667,857            |
| Other                                 | 1,956                | -                       | -   | -                                      | (1,956)  | -                           | (1,956)              |
| Interest on long-term debt            | 3,863,146            | -                       | -   | -                                      | (3,863,146)  | -                           | (3,863,146)          |
| <b>Total governmental activities</b>  | <b>84,590,868</b>    | <b>175,771</b>          | <b>7,175,028</b>                          | <b>3,667,857</b>                       | <b>(73,572,212)</b>                                  | <b>-</b>                    | <b>(73,572,212)</b>  |
| <b>Business-type activities</b>       |                      |                         |   |  |  |                             |                      |
| Food service                          | 4,640,474            | 1,558,820               | 3,007,758                                 | -                                      | -  | (73,896)                    | (73,896)             |
| Daycare                               | 1,110,026            | 1,245,372               | 388,118                                   | -                                      | -  | 523,464                     | 523,464              |
| <b>Total business-type activities</b> | <b>5,750,500</b>     | <b>2,804,192</b>        | <b>3,395,876</b>                          | <b>-</b>                               | <b>-</b>   | <b>449,568</b>              | <b>449,568</b>       |
| <b>Total school district</b>          | <b>\$ 90,341,368</b> | <b>\$ 2,979,963</b>     | <b>\$ 10,570,904</b>                      | <b>\$ 3,667,857</b>                    | <b>(73,572,212)</b>                                  | <b>449,568</b>              | <b>(73,122,644)</b>  |
|                                       |                      |                         | <b>General revenues:</b>                  |  |  |                             |                      |
|                                       |                      |                         | Taxes                                     |  | \$ 29,313,719  | \$ -                        | \$ 29,313,719        |
|                                       |                      |                         | State and federal sources                 |  | 45,845,519   | -                           | 45,845,519           |
|                                       |                      |                         | Investment earnings                       |  | 89,795   | 1,353                       | 91,148               |
|                                       |                      |                         | Miscellaneous                             |  | 2,495,993  | -                           | 2,495,993            |
|                                       |                      |                         | Special items:                            |  |  |                             |                      |
|                                       |                      |                         | Proceeds on disposal of fixed assets      |  | 730,909  | (1,509)                     | 729,400              |
|                                       |                      |                         | Fund transfer                             |  | 398,096  | (398,096)                   | -                    |
|                                       |                      |                         | <b>Total general and special revenues</b> |  | <b>78,874,031</b>                                    | <b>(398,252)</b>            | <b>78,475,779</b>    |
|                                       |                      |                         | <b>Change in net position</b>             |  | <b>5,301,819</b>                                     | <b>51,316</b>               | <b>5,353,135</b>     |
|                                       |                      |                         | <b>Net position - beginning</b>           |  | <b>37,775,201</b>                                    | <b>1,956,490</b>            | <b>39,731,691</b>    |
|                                       |                      |                         | <b>Net position adjustment (Note 18)</b>  |  | <b>(14,064,488)</b>                                  | <b>(651,512)</b>            | <b>(14,716,000)</b>  |
|                                       |                      |                         | <b>Net position - ending</b>              |  | <b>\$ 29,012,532</b>                                 | <b>\$ 1,356,294</b>         | <b>\$ 30,368,826</b> |

The accompanying notes are an integral part of these financial statements.

**SCOTT COUNTY SCHOOL DISTRICT**

**Balance Sheet – Governmental Funds  
Year Ended June 30, 2015**

|                                      | <u>General<br/>Fund</u> | <u>Special<br/>Revenue<br/>Fund</u> | <u>Debt<br/>Service<br/>Fund</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--------------------------------------|-------------------------|-------------------------------------|----------------------------------|---|---|
| <b>Assets</b>                        |                         |                                     |                                  |   |   |
| <b>Current:</b>                      |                         |                                     |                                  |   |   |
| Cash and cash equivalents            | \$ 12,986,434           | \$ (64,644)                         | \$ 1,444                         | \$ 1,947,850                            | \$ 14,871,084                           |
| Prepays                              | 196,608                 | -                                   | -                                | -                                       | 196,608                                 |
| Accounts receivable                  | 1,960,228               | 717,988                             | -                                | -                                       | 2,678,216                               |
| 'Total current                       | <u>\$ 15,143,270</u>    | <u>\$ 653,344</u>                   | <u>\$ 1,444</u>                  | <u>\$ 1,947,850</u>                     | <u>\$ 17,745,908</u>                    |
| <b>Liabilities and Fund Balances</b> |                         |                                     |                                  |   |   |
| <b>Liabilities</b>                   |                         |                                     |                                  |   |   |
| <b>Current:</b>                      |                         |                                     |                                  |   |   |
| Accounts payable                     | \$ 568,873              | \$ 138,145                          | \$ -                             | \$ 276,753                              | \$ 983,771                              |
| Unearned revenue                     | 1,204,159               | 254,580                             | -                                | -                                       | 1,458,739                               |
| Accrued payroll and related expenses | 3,520,259               | -                                   | -                                | -                                       | 3,520,259                               |
|                                      | <u>5,293,291</u>        | <u>392,725</u>                      | <u>-</u>                         | <u>276,753</u>                          | <u>5,962,769</u>                        |
| <b>Fund Balances</b>                 |                         |                                     |                                  |   |   |
| Nonspendable - prepaids              | 196,608                 | -                                   | -                                | -                                       | 196,608                                 |
| Assigned:                            |                         |                                     |                                  |   |   |
| Site based carryforward              | 61,941                  | -                                   | -                                | -                                       | 61,941                                  |
| Purchase obligations                 | 617,093                 | -                                   | -                                | -                                       | 617,093                                 |
| Other                                | 37,829                  | -                                   | -                                | -                                       | 37,829                                  |
| Restricted:                          |                         |                                     |                                  |   |   |
| Capital projects                     | -                       | -                                   | -                                | 1,346,100                               | 1,346,100                               |
| Debt service                         | -                       | -                                   | 1,444                            | -                                       | 1,444                                   |
| Other                                | -                       | -                                   | -                                | 324,997                                 | 324,997                                 |
| Grants                               | -                       | 260,619                             | -                                | -                                       | 260,619                                 |
| Unrestricted                         | 3,765,363               | -                                   | -                                | -                                       | 3,765,363                               |
| Committed:                           |                         |                                     |                                  |   |   |
| Other                                | 3,790,480               | -                                   | -                                | -                                       | 3,790,480                               |
| Sick Leave                           | 637,724                 | -                                   | -                                | -                                       | 637,724                                 |
| Site-Based carryforward              | 742,941                 | -                                   | -                                | -                                       | 742,941                                 |
| Total fund balances                  | <u>9,849,979</u>        | <u>260,619</u>                      | <u>1,444</u>                     | <u>1,671,097</u>                        | <u>11,783,139</u>                       |
| Total liabilities and fund balances  | <u>\$ 15,143,270</u>    | <u>\$ 653,344</u>                   | <u>\$ 1,444</u>                  | <u>\$ 1,947,850</u>                     | <u>\$ 17,745,908</u>                    |

The accompanying notes are an integral part of these financial statements.

**SCOTT COUNTY SCHOOL DISTRICT**

**Reconciliation of the Balance Sheet  
Governmental Funds to the Statement of Net Position  
As of June 30, 2015**

|   |                     |                      |
|---|---------------------|----------------------|
| Total governmental fund balance   |                     | \$ 11,783,139        |
| Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.                |                     |                      |
| Construction in process   | 668,841             |                      |
| Cost of capital assets  | 202,522,300         |                      |
| Accumulated depreciation  | <u>(62,487,787)</u> | 140,703,354          |
| Deferred outflows   |                     |                      |
| Bond refinancing  | 2,305,712           |                      |
| CERS contributions made after the measurement date  | <u>1,877,875</u>    | 4,183,587            |
| Long-term liabilities (including bonds payable) are not due and payable in the current period and therefore are not reported as liabilities in the funds. |                     |                      |
| Long-term liabilities at year end consist of:   |                     |                      |
| Bonds payable   |                     | (109,982,193)        |
| Accrued interest on bonds   |                     | (1,389,219)          |
| Capital leases  |                     | (946,200)            |
| Net pension liability   |                     | (14,064,488)         |
| Accrued sick leave  |                     | <u>(1,275,448)</u>   |
| Total net position - governmental   |                     | <u>\$ 29,012,532</u> |

The accompanying notes are an integral part of these financial statements.

**SCOTT COUNTY SCHOOL DISTRICT**

**Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds  
Year Ended June 30, 2015**

|  | <u>General<br/>Fund</u> | <u>Special<br/>Revenue<br/>Fund</u> | <u>Debt<br/>Service<br/>Fund</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|-------------------------|-------------------------------------|----------------------------------|---|---|
| <b>Revenues</b>                                |                         |                                     |                                  |   |   |
| Taxes  | \$ 22,783,238           | \$ -                                | \$ -                             | \$ 6,530,481                            | \$ 29,313,719                           |
| Earnings on investments                        | 86,364                  | 88                                  | -                                | 3,343                                   | 89,795                                  |
| State sources                                  | 40,037,969              | 3,321,133                           | 1,330,863                        | 2,336,994                               | 47,026,959                              |
| Federal sources                                | 81,749                  | 3,749,686                           | -                                | -                                       | 3,831,435                               |
| Other sources                                  | 215,540                 | 104,209                             | -                                | 754,021                                 | 1,073,770                               |
| <b>Total revenues</b>                          | <b>63,204,860</b>       | <b>7,175,116</b>                    | <b>1,330,863</b>                 | <b>9,624,839</b>                        | <b>81,335,678</b>                       |
| <b>Expenditures</b>                            |                         |                                     |                                  |   |   |
| Instructional                                  | 37,504,572              | 5,054,052                           | -                                | 489,805                                 | 43,048,429                              |
| Student support services                       | 4,371,876               | 543,728                             | -                                | 1,446                                   | 4,917,050                               |
| Staff support services                         | 2,673,820               | 807,547                             | -                                | 84,572                                  | 3,565,939                               |
| District administration                        | 1,651,010               | -                                   | -                                | -                                       | 1,651,010                               |
| School administration                          | 4,133,428               | 452                                 | -                                | -                                       | 4,133,880                               |
| Business support services                      | 1,369,532               | -                                   | -                                | -                                       | 1,369,532                               |
| Plant operation and maintenance                | 6,662,992               | 55,866                              | -                                | -                                       | 6,718,858                               |
| Student transportation                         | 5,162,191               | 181,819                             | -                                | 42,300                                  | 5,386,310                               |
| Food service operation                         | 1,956                   | -                                   | -                                | -                                       | 1,956                                   |
| Community service operations                   | -                       | 495,439                             | -                                | -                                       | 495,439                                 |
| Facility acquisition and construction          | 45                      | -                                   | -                                | 2,406,163                               | 2,406,208                               |
| Debt service:                                  |                         |                                     |                                  |   |   |
| Principal                                      | 286,507                 | -                                   | 5,310,000                        | -                                       | 5,596,507                               |
| Interest                                       | 49,301                  | -                                   | 3,816,519                        | -                                       | 3,865,820                               |
| <b>Total expenditures</b>                      | <b>63,867,230</b>       | <b>7,138,903</b>                    | <b>9,126,519</b>                 | <b>3,024,286</b>                        | <b>83,156,938</b>                       |
| Excess (deficit) of revenues over expenditures | (662,370)               | 36,213                              | (7,795,656)                      | 6,600,553                               | (1,821,260)                             |
| <b>Other financing sources (uses)</b>          |                         |                                     |                                  |   |   |
| Proceeds from sale of assets                   | 745,602                 | -                                   | -                                | -                                       | 745,602                                 |
| Operating transfers in                         | 508,569                 | 187,037                             | 7,795,656                        | 490,489                                 | 8,981,751                               |
| Operating transfers out                        | (250,637)               | (46,873)                            | -                                | (8,286,145)                             | (8,583,655)                             |
| <b>Total other financing sources (uses)</b>    | <b>1,003,534</b>        | <b>140,164</b>                      | <b>7,795,656</b>                 | <b>(7,795,656)</b>                      | <b>1,143,698</b>                        |
| Net change in fund balance                     | 341,164                 | 176,377                             | -                                | (1,195,103)                             | (677,562)                               |
| Fund balance, July 1, 2014                     | 9,508,815               | 84,242                              | 1,444                            | 2,866,200                               | 12,460,701                              |
| Fund balance, June 30, 2015                    | \$ 9,849,979            | \$ 260,619                          | \$ 1,444                         | \$ 1,671,097                            | \$ 11,783,139                           |

The accompanying notes are an integral part of these financial statements.

**SCOTT COUNTY SCHOOL DISTRICT**

**Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balance of Governmental Funds to the Statement of Activities  
Year Ended June 30, 2015**

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

|   |                 |                     |
|---|-----------------|---------------------|
| Net changes-governmental funds  |                 | \$ (677,562)        |
| <p>Governmental funds report capital outlays as expenditures because they use current financial resources. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation expense for the year.</p>   |                 |                     |
| Depreciation expense  | (5,268,945)     |                     |
| Capital outlays   | 3,324,834       |                     |
| Retirement of capital assets  | <u>(14,693)</u> |                     |
|   |                 | (1,958,804)         |
| <p>Bond and capital lease proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.</p> |                 |                     |
| Bond principal paid   |                 | 5,350,000           |
| Capital lease principal paid  |                 | 246,507             |
| Amortization of bond premium  |                 | 69,636              |
| Amortization of bond refinancing  |                 | (245,308)           |
| Deferred outflow CERS contributions made after the measurement date   |                 | 1,877,875           |
| <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>   |                 |                     |
|   |                 | <u>639,475</u>      |
| Changes in net position of governmental activities  |                 | <u>\$ 5,301,819</u> |

The accompanying notes are an integral part of these financial statements.

**SCOTT COUNTY SCHOOL DISTRICT**

**Statement of Net Position – Proprietary Funds  
As of June 30, 2015**

|                                     | <u>Food<br/>Service</u> | <u>Daycare<br/>Fund</u> | <u>Total</u>        |
|-------------------------------------|-------------------------|-------------------------|---------------------|
| <b>Assets</b>                       |                         |                         |                     |
| <b>Current</b>                      |                         |                         |                     |
| Cash and cash equivalents           | \$ 750,490              | \$ 257,905              | \$ 1,008,395        |
| Accounts receivable                 | 18,421                  | 9,854                   | 28,275              |
| Inventories for consumption         | 156,996                 | -                       | 156,996             |
| Total current                       | <u>925,907</u>          | <u>267,759</u>          | <u>1,193,666</u>    |
| <b>Noncurrent</b>                   |                         |                         |                     |
| Equipment                           | 2,397,985               | -                       | 2,397,985           |
| Less: accumulated depreciation      | <u>(1,608,348)</u>      | <u>-</u>                | <u>(1,608,348)</u>  |
| Total noncurrent                    | <u>789,637</u>          | <u>-</u>                | <u>789,637</u>      |
| Total assets                        | <u>1,715,544</u>        | <u>267,759</u>          | <u>1,983,303</u>    |
| <b>Deferred outflows</b>            | <u>57,431</u>           | <u>29,558</u>           | <u>86,989</u>       |
| <b>Liabilities and Net Position</b> |                         |                         |                     |
| <b>Liabilities</b>                  |                         |                         |                     |
| <b>Current</b>                      |                         |                         |                     |
| Accounts payable                    | 9,054                   | 1,172                   | 10,226              |
| CERS net pension liability          | 430,137                 | 221,375                 | 651,512             |
| Unearned revenue                    | 52,260                  | -                       | 52,260              |
| Total current                       | <u>491,451</u>          | <u>222,547</u>          | <u>713,998</u>      |
| Total liabilities                   | <u>491,451</u>          | <u>222,547</u>          | <u>713,998</u>      |
| <b>Net Position</b>                 |                         |                         |                     |
| Invested in assets, net of debt     | 789,637                 | -                       | 789,637             |
| Unrestricted                        | 491,887                 | 74,770                  | 566,657             |
| Total net position                  | <u>\$ 1,281,524</u>     | <u>\$ 74,770</u>        | <u>\$ 1,356,294</u> |

The accompanying notes are an integral part of these financial statements.

**SCOTT COUNTY SCHOOL DISTRICT**

**Statement of Revenues, Expenses and Changes in Net Position –  
Proprietary Funds  
Year Ended June 30, 2015**

|   | <u>Food<br/>Service</u> | <u>Daycare<br/>Fund</u> | <u>Total</u>        |
|---|-------------------------|-------------------------|---------------------|
| <b>Operating revenues</b>               |                         |                         |                     |
| Lunchroom sales                         | \$ 1,558,820            | \$ -                    | \$ 1,558,820        |
| Tuition and Fees                        | -                       | 1,245,372               | 1,245,372           |
| Other operating revenues                | <u>-</u>                | <u>-</u>                | <u>-</u>            |
| Total operating revenues                | <u>1,558,820</u>        | <u>1,245,372</u>        | <u>2,804,192</u>    |
| <b>Operating expenses</b>               |                         |                         |                     |
| Salaries and benefits                   | 2,135,824               | 1,104,958               | 3,240,782           |
| Contract services                       | 112,295                 | -                       | 112,295             |
| Materials and supplies                  | 2,218,708               | -                       | 2,218,708           |
| Depreciation                            | 167,052                 | -                       | 167,052             |
| Other operating expenses                | <u>6,595</u>            | <u>5,068</u>            | <u>11,663</u>       |
| Total operating expenses                | <u>4,640,474</u>        | <u>1,110,026</u>        | <u>5,750,500</u>    |
| Operating loss                          | <u>(3,081,654)</u>      | <u>135,346</u>          | <u>(2,946,308)</u>  |
| <b>Nonoperating revenues (expenses)</b> |                         |                         |                     |
| Federal grants                          | 2,232,806               | -                       | 2,232,806           |
| State grants                            | 516,420                 | 388,118                 | 904,538             |
| Donated commodities and other donations | 258,532                 | -                       | 258,532             |
| Transfers in                            | -                       | 63,600                  | 63,600              |
| Transfers out                           | (60,000)                | (401,696)               | (461,696)           |
| Loss on sale of capital assets          | (1,509)                 | -                       | (1,509)             |
| Interest income                         | <u>1,287</u>            | <u>66</u>               | <u>1,353</u>        |
| Total nonoperating revenues             | <u>2,947,536</u>        | <u>50,088</u>           | <u>2,997,624</u>    |
| Change in net position                  | (134,118)               | 185,434                 | 51,316              |
| Total net position, July 1, 2014        | 1,845,779               | 110,711                 | 1,956,490           |
| Net position adjustment                 | <u>(430,137)</u>        | <u>(221,375)</u>        | <u>(651,512)</u>    |
| Total net position, June 30, 2015       | <u>\$ 1,281,524</u>     | <u>\$ 74,770</u>        | <u>\$ 1,356,294</u> |

The accompanying notes are an integral part of these financial statements.

**SCOTT COUNTY SCHOOL DISTRICT**

**Statement of Cash Flows – Proprietary Funds  
Year Ended June 30, 2015**

|  | <u>Food Service<br/>Fund</u> | <u>Daycare<br/>Fund</u> | <u>Total</u>          |
|--|------------------------------|-------------------------|-----------------------|
| <b>Cash flows from operating activities</b>  |                              |                         |                       |
| Cash received from lunchroom sales   | \$ 1,558,820                 | \$ -                    | \$ 1,558,820          |
| Cash received from tuition and fees  | -                            | 1,245,372               | 1,245,372             |
| Cash received from other activities  | 48,346                       | (9,854)                 | 38,492                |
| Cash payments to employees for services  | (2,193,255)                  | (1,134,516)             | (3,327,771)           |
| Cash payments to suppliers for goods and services  | (2,318,893)                  | (5,183)                 | (2,324,076)           |
| Cash transfers   | (60,000)                     | (338,096)               | (398,096)             |
| Net cash used in operating activities  | <u>(2,964,982)</u>           | <u>(242,277)</u>        | <u>(3,207,259)</u>    |
| <b>Cash flows from noncapital financing activities</b>   |                              |                         |                       |
| Non-operating revenues received  | <u>3,007,758</u>             | <u>388,118</u>          | <u>3,395,876</u>      |
| Net cash provided by noncapital financing activities   | <u>3,007,758</u>             | <u>388,118</u>          | <u>3,395,876</u>      |
| <b>Cash flows from investing activities</b>  |                              |                         |                       |
| Interest on investments  | <u>1,287</u>                 | <u>66</u>               | <u>1,353</u>          |
| Net cash provided by investing activities  | <u>1,287</u>                 | <u>66</u>               | <u>1,353</u>          |
| Net increase in cash and cash equivalents  | 44,063                       | 145,907                 | 189,970               |
| Cash and cash equivalents - beginning  | <u>706,427</u>               | <u>111,998</u>          | <u>818,425</u>        |
| Cash and cash equivalents - ending   | <u>\$ 750,490</u>            | <u>\$ 257,905</u>       | <u>\$ 1,008,395</u>   |
| <b>Reconciliation of operating income (loss) to net cash used in operating activities</b>        |                              |                         |                       |
| Operating income (loss)  | \$ (3,081,654)               | \$ 135,346              | \$ (2,946,308)        |
| <b>Adjustments to reconcile operating income (loss) to net cash used in operating activities</b> |                              |                         |                       |
| Depreciation   | 167,052                      | -                       | 167,052               |
| Transfers  | (60,000)                     | (338,096)               | (398,096)             |
| Changes in assets and liabilities:   |                              |                         |                       |
| Increase in deferred outflows  | (57,431)                     | (29,558)                | (86,989)              |
| Decrease in accounts payable   | (10,683)                     | (115)                   | (10,798)              |
| Increase in unearned revenue   | 3,334                        | -                       | 3,334                 |
| Decrease in accounts receivable  | 45,012                       | (9,854)                 | 35,158                |
| Decrease in inventories  | 29,388                       | -                       | 29,388                |
| Net cash used in operating activities  | <u>\$ (2,964,982)</u>        | <u>\$ (242,277)</u>     | <u>\$ (3,207,259)</u> |
| <b>Schedule of non-cash transactions:</b>  |                              |                         |                       |
| Donated commodities received from federal government   | <u>\$ 258,532</u>            | <u>\$ -</u>             | <u>\$ 258,532</u>     |

The accompanying notes are an integral part of these financial statements

**SCOTT COUNTY SCHOOL DISTRICT**

**Statement of Net Position – Fiduciary Funds  
As of June 30, 2015**

|                                     | <u>Trust<br/>Fund</u> | <u>School Activity<br/>Fund</u> | <u>Total</u>     |
|-------------------------------------|-----------------------|---------------------------------|------------------|
| <b>Assets</b>                       |                       |                                 |                  |
| <b>Current</b>                      |                       |                                 |                  |
| Cash and cash equivalents           | \$ 30,739             | \$ 477,699                      | \$ 508,438       |
| Total current assets                | <u>30,739</u>         | <u>477,699</u>                  | <u>508,438</u>   |
| Total assets                        | <u>30,739</u>         | <u>477,699</u>                  | <u>508,438</u>   |
| <b>Liabilities and Net Position</b> |                       |                                 |                  |
| <b>Liabilities</b>                  |                       |                                 |                  |
| <b>Current</b>                      |                       |                                 |                  |
| Accounts payable                    | 500                   | -                               | 500              |
| Due to student groups               | <u>-</u>              | <u>477,699</u>                  | <u>477,699</u>   |
| Total current liabilities           | <u>500</u>            | <u>477,699</u>                  | <u>478,199</u>   |
| Total liabilities                   | <u>500</u>            | <u>477,699</u>                  | <u>478,199</u>   |
| <b>Net Position</b>                 |                       |                                 |                  |
| Nonspendable                        | 5,000                 | -                               | 5,000            |
| Restricted                          | <u>25,239</u>         | <u>-</u>                        | <u>25,239</u>    |
| Total net position                  | <u>\$ 30,239</u>      | <u>\$ -</u>                     | <u>\$ 30,239</u> |

The accompanying notes are an integral part of these financial statements

SCOTT COUNTY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Net Position – Fiduciary Funds  
Year Ended June 30, 2015

|                                   | <u>Trust<br/>Fund</u> | <u>Total</u>     |
|-----------------------------------|-----------------------|------------------|
| <b>Operating revenues</b>         |                       |                  |
| Investment income                 | \$ 67                 | \$ 67            |
| Contributions                     | 10,443                | 10,443           |
|                                   | <u>10,510</u>         | <u>10,510</u>    |
| <b>Operating expenses</b>         |                       |                  |
| Community service operations      | 10,540                | 10,540           |
|                                   | <u>10,540</u>         | <u>10,540</u>    |
| Change in net position            | (30)                  | (30)             |
| Total net position, July 1, 2014  | 30,269                | 30,269           |
| Total net position, June 30, 2015 | <u>\$ 30,239</u>      | <u>\$ 30,239</u> |

The accompanying notes are an integral part of these financial statements

# SCOTT COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### ***Reporting Entity***

The Scott 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 Scott County School District (District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. 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 and account groups relevant to the operation of the Scott County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as 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:

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

#### ***Basis of Presentation***

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

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

**SCOTT COUNTY SCHOOL DISTRICT**

**Notes to the Financial Statement  
(Continued)**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Basis of Presentation (Continued)***

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

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and 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 total net position. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus.

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts 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 on page 57. This is a major fund of the District.

**SCOTT COUNTY SCHOOL DISTRICT**

**Notes to the Financial Statement  
(Continued)**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Basis of Presentation (Continued)***

I. Governmental Fund Types (continued)

- (C) 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 Funds).
1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay funds and is restricted for use in financing projects identified in the District's facility plan.
  2. The Facility Support Program of Kentucky Fund (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
  3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.

II. 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.

III. Proprietary Fund (Enterprise 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). The Food Service fund is a major fund of the District.

The Day Care Fund accounts for the daycare operations of the District. Amounts have been recorded for on-behalf payments for retirement and health insurance paid by the State of Kentucky.

IV. Fiduciary Fund Type (Agency and Trust Funds)

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

The Trust Fund is used to report trust arrangements under which principal and income benefit individuals, private organizations or other governments. Revenues consist of donations and interest income. Expenditures represent scholarships.

The District applies all Governmental Accounting Standards Board (GASB) pronouncements to proprietary funds as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements.

**SCOTT COUNTY SCHOOL DISTRICT**

**Notes to the Financial Statement  
(Continued)**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Basis of Accounting***

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

Revenues – 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.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they 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 measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

***Taxes***

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

**SCOTT COUNTY SCHOOL DISTRICT**

**Notes to the Financial Statement  
(Continued)**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Budgetary Process***

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

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

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

***Cash and Cash Equivalents***

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

***Inventories***

Supplies and materials are charged to expenditures when purchased, except for inventories in the Proprietary Fund, which are capitalized at the lower of cost or market.

***Capital Assets***

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the district-wide statement of net assets 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 district-wide statement of net assets 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 asset's life are not.

**SCOTT COUNTY SCHOOL DISTRICT**

**Notes to the Financial Statement  
(Continued)**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Capital Assets (Continued)***

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

| <u>Description</u>         | <u>Governmental Activities<br/>Estimated Lives</u> |
|----------------------------|--|
| Buildings and improvements | 25-50 years  |
| Land improvements          | 20 years   |
| Technology equipment       | 5 years  |
| Vehicles                   | 5-10 years   |
| General equipment          | 5-15 years   |
| Food service equipment     | 5-12 years   |
| Other                      | 10 years   |

***Accumulated Unpaid Sick Leave Benefits***

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's experience of making termination payments. The entire compensated absence liability is reported on the district-wide financial statements.

***Interfund Balances***

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

***Accrued Liabilities and Long-Term Obligations***

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

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

**SCOTT COUNTY SCHOOL DISTRICT**

**Notes to the Financial Statement  
(Continued)**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Fund Balance Reserves***

Beginning with fiscal year 2012 the District implemented GASB Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the District's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the District itself, using its decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the District takes the action to remove or change the constraint.

Assigned fund balance – amounts the District intends to use for specific purpose (such as encumbrances); intent can be expressed by the District or by an official or body to which the District delegates the authority.

Unassigned fund balance – amounts that are available for purpose; positive amounts are reported only in the General fund.

It is the Board's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board or managerial obligations, using restricted funds first, followed by committed funds, assigned funds, then unassigned funds.

Encumbrances are not liabilities and are not recorded as expenditures until receipt of material or service. Encumbrances remaining open at the end of the fiscal year are automatically re-budgeted in the following fiscal year. Encumbrances are considered a managerial assignment of fund balance in the governmental funds balance sheet.

***Net Position***

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

***Operating Revenues and Expenses***

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

**SCOTT COUNTY SCHOOL DISTRICT**

**Notes to the Financial Statement  
(Continued)**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***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 as non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

***Pensions***

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

**NOTE 2 ESTIMATES**

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

**NOTE 3 CASH AND CASH EQUIVALENTS**

The District maintains its cash in bank deposit accounts which, at times, exceed federally insured limits. The amounts exceeding the federally insured limits are covered by a collateral agreement and the collateral is held by the pledging banks' trust departments in the District's name. The District has not experienced any losses in such accounts and the District believes it is not exposed to any significant credit risk on cash and cash equivalents.

**SCOTT COUNTY SCHOOL DISTRICT**

**Notes to the Financial Statement  
(Continued)**

**NOTE 4 CAPITAL ASSETS**

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

| <u>Governmental Activities</u>                     | Balance<br>June 30, 2014 | Additions             | Deductions       | Balance<br>June 30, 2015 |
|--|--------------------------|-----------------------|------------------|--------------------------|
| Land   | \$ 6,463,345             | \$ -                  | \$ -             | \$ 6,463,345             |
| Land improvements                                  | 4,166,007                | 757,788               | -                | 4,923,795                |
| Buildings and improvements                         | 174,884,509              | 1,100,041             | 22,132           | 175,962,418              |
| Technology equipment                               | 5,429,887                | 63,347                | 386,580          | 5,106,654                |
| Vehicles   | 6,890,785                | 654,145               | -                | 7,544,930                |
| General equipment                                  | 2,457,161                | 108,072               | 44,075           | 2,521,158                |
| Construction work in progress                      | 27,400                   | 668,841               | 27,400           | 668,841                  |
| Totals at historical cost                          | <u>200,319,094</u>       | <u>3,352,234</u>      | <u>480,187</u>   | <u>203,191,141</u>       |
| Less: accumulated depreciation                     |                          |                       |                  |                          |
| Land improvements                                  | 2,065,735                | 212,771               | -                | 2,278,506                |
| Buildings and improvements                         | 44,939,227               | 4,071,765             | 12,350           | 48,998,642               |
| Technology equipment                               | 4,790,258                | 336,676               | 382,211          | 4,744,723                |
| Vehicles   | 4,158,736                | 484,266               | -                | 4,643,002                |
| General equipment                                  | 1,702,980                | 163,467               | 43,533           | 1,822,914                |
| Total accumulated depreciation                     | <u>57,656,936</u>        | <u>5,268,945</u>      | <u>438,094</u>   | <u>62,487,787</u>        |
| Governmental activities<br>capital assets - net    | <u>\$ 142,662,158</u>    | <u>\$ (1,916,711)</u> | <u>\$ 42,093</u> | <u>\$ 140,703,354</u>    |
| <u>Business - Type Activities</u>                  |                          |                       |                  |                          |
| General equipment                                  | \$ 2,308,620             | \$ -                  | \$ 1,793         | \$ 2,306,827             |
| Vehicles   | 3,090                    | -                     | -                | 3,090                    |
| Technology equipment                               | 99,153                   | -                     | 11,085           | 88,068                   |
| Totals at historical cost                          | <u>2,410,863</u>         | <u>-</u>              | <u>12,878</u>    | <u>2,397,985</u>         |
| Less: accumulated depreciation                     |                          |                       |                  |                          |
| General equipment                                  | 1,370,039                | 156,213               | 633              | 1,525,619                |
| Vehicles   | 3,090                    | -                     | -                | 3,090                    |
| Technology equipment                               | 79,536                   | 10,839                | 10,736           | 79,639                   |
| Total accumulated depreciation                     | <u>1,452,665</u>         | <u>167,052</u>        | <u>11,369</u>    | <u>1,608,348</u>         |
| Business - type activities<br>capital assets - net | <u>\$ 958,198</u>        | <u>\$ (167,052)</u>   | <u>\$ 1,509</u>  | <u>\$ 789,637</u>        |

Depreciation expense by function for the fiscal year ended June 30, 2015 was as follows:

|                                 | <u>Governmental</u> | <u>Business-Type</u> |
|---------------------------------|---------------------|----------------------|
| Instruction                     | \$ 4,557,096        | \$ -                 |
| Student support services        | 47,527              | -                    |
| Staff support services          | 5,340               | -                    |
| District administration         | 24,913              | -                    |
| School administration           | 11,376              | -                    |
| Business support services       | 21,783              | -                    |
| Plant operation and maintenance | 105,060             | -                    |
| Student transportation          | 495,850             | -                    |
| Community services              | -                   | -                    |
| Food service                    | -                   | 167,052              |
| Total                           | <u>\$ 5,268,945</u> | <u>\$ 167,052</u>    |

**SCOTT COUNTY SCHOOL DISTRICT**

**Notes to the Financial Statement  
(Continued)**

**NOTE 5 ACCUMULATED UNPAID SICK LEAVE BENEFITS**

Upon providing proof of qualification as an annuitant from the Kentucky Teacher's Retirement System and County Employees Retirement System, certified and classified employees will receive from the District an amount equal to 30% of the value of accumulated sick leave. At June 30, 2015 this amount totaled approximately \$1,275,448 for those employees with twenty-seven or more years of experience.

**NOTE 6 COMMITMENTS UNDER CAPITAL LEASES**

The District is the lessee of buses under capital leases expiring between 2017 and 2021. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are depreciated over the lower of their related lease terms or their estimated productive lives. Depreciation of assets under capital leases is included in depreciation expense.

Future minimum lease payments under capital leases as of June 30, 2015, for each of the next five years and in the aggregate are as follows:

| Year Ending<br><u>June 30,</u>              |                   |
|---|-------------------|
| 2015-2016                                   | \$ 278,060        |
| 2016-2017                                   | 266,677           |
| 2017-2018                                   | 224,114           |
| 2018-2019                                   | 144,408           |
| 2019-2020                                   | 87,001            |
| Thereafter                                  | <u>35,405</u>     |
| Total minimum payments                      | 1,035,665         |
| Less amount representing interest           | <u>89,465</u>     |
| Present value of net minimum lease payments | <u>\$ 946,200</u> |

**SCOTT COUNTY SCHOOL DISTRICT**

**Notes to the Financial Statement  
(Continued)**

**NOTE 7 LEASE OBLIGATIONS AND BONDED DEBT**

The amount shown in the accompanying financial statements as lease obligations represents the District's future obligations to make lease payments relating to the bonds issued.

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

| <u>Issue Date</u> | <u>Proceeds</u> | <u>Rates</u>    |
|-------------------|-----------------|-----------------|
| January 1, 2005   | 22,125,000      | 3.700%          |
| February 1, 2007  | 8,200,000       | 4.000% - 4.250% |
| April 1, 2007     | 12,400,000      | 4.125% - 4.300% |
| February 1, 2008  | 7,650,000       | 3.500% - 3.900% |
| April 1, 2008     | 1,835,000       | 3.100% - 3.250% |
| March 1, 2009     | 15,000,000      | 4.000% - 4.375% |
| April 1, 2010     | 3,720,000       | 2.625% - 3.375% |
| September 1, 2010 | 11,550,000      | 2.250% - 2.400% |
| April 1, 2011     | 12,030,000      | 2.100% - 3.200% |
| February 1, 2012  | 20,250,000      | 2.000% - 3.400% |
| October 1, 2012   | 3,000,000       | 2.000% - 2.625% |
| December 1, 2012  | 8,905,000       | 2.000% - 2.125% |
| March 1, 2013     | 8,000,000       | 2.000% - 3.000% |
| March 1, 2013     | 15,110,000      | 2.000% - 4.500% |
| June 1, 2013      | 440,000         | 1.500% - 3.000% |

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Scott County School District Finance Corporation to construct school facilities.

The District entered into "participation agreements" with the School Facility Construction Commission (Commission). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. Note 17 sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal has been recorded in the financial statements.

All issues may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2015 for debt service (principal and interest) are reported in Note 17.

**SCOTT COUNTY SCHOOL DISTRICT**

**Notes to the Financial Statement  
(Continued)**

**NOTE 8 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**

***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<br>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<br>Or age 57+ and sum of service years plus age equal 87 |
|        | Reduced retirement   | 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<br>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.

**SCOTT COUNTY SCHOOL DISTRICT**

**Notes to the Financial Statement  
(Continued)**

**NOTE 8 RETIREMENT PLANS (Continued)**

***Contributions***

Required contributions by the employee are based on the following tier:

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

The contribution requirement for CERS for the year ended June 30, 2015, was \$2,545,538, which consisted of \$1,964,864 from the District and \$580,674 from the employees. District contributions for the year ended June 30, 2014 and 2013 were \$2,002,656 and \$1,983,690, respectively. The contributions have been contributed in full for fiscal years 2015, 2014 and 2013.

**General information about the Teachers' Retirement System of the State of Kentucky**

***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—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](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.

## SCOTT COUNTY SCHOOL DISTRICT

### Notes to the Financial Statement (Continued)

#### NOTE 8 RETIREMENT PLANS (Continued)

Final average salary is defined as the member's five (5) highest annual salaries for those with less than 27 years of service. 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. Non-university employees are required to contribute 12.105% of their salaries to the System. University employees are required to contribute 9.895% of their salaries. KRS 161.580 allows each university to reduce the contribution of its employees by 2.215%; therefore, university employees contribute 7.68% of their salary to KTRS. The contribution requirement for KTRS for the year ended June 30, 2015, was \$5,414,715, which consisted of \$1,131,841 from the District and \$4,282,874 from the employees. Total contributions for the year ended June 30, 2014 and 2013 were \$5,078,850 and \$4,843,728, respectively. The contributions have been contributed in full for fiscal years 2015, 2014 and 2013.

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.

**SCOTT COUNTY SCHOOL DISTRICT**

**Notes to the Financial Statement  
(Continued)**

**NOTE 8 RETIREMENT PLANS (Continued)**

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

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

|   |                       |
|---|-----------------------|
| District's proportionate share of the CERS net pension liability                                  | \$ 14,716,000         |
| Commonwealth's proportionate share of the KTRS net pension liability associated with the District | <u>225,099,715</u>    |
|   | <u>\$ 239,815,715</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, 2014, the District's proportion was 0.453576% percent.

For the year ended June 30, 2015, the District recognized pension expense of \$1,965,646 related to CERS and \$11,030,344 related to KTRS. The District also recognized revenue of \$11,030,344 for KTRS support provided by the Commonwealth. At June 30, 2014, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|--|---|--|
| Net difference between projected and actual earnings on pension plan investments | \$ -  | \$ 1,643,000                                 |
| District contributions subsequent to the measurement date                        | <u>1,964,864</u>                              | <u>-</u>                                     |
| Total  | <u>\$ 1,964,864</u>                           | <u>\$ 1,643,000</u>                          |

**SCOTT COUNTY SCHOOL DISTRICT**

**Notes to the Financial Statement  
(Continued)**

**NOTE 8 RETIREMENT PLANS (Continued)**

\$1,964,864 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

|  |                            |            |
|--|----------------------------|------------|
|  | <u>Year ended June 30:</u> |            |
|  | 2016                       | \$ 328,600 |
|  | 2017                       | 328,600    |
|  | 2018                       | 328,600    |
|  | 2019                       | 328,600    |
|  | 2020                       | 328,600    |

***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<br>investment expense and inflation | 7.75%       | 7.50%       |

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

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

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

**SCOTT COUNTY SCHOOL DISTRICT**

**Notes to the Financial Statement  
(Continued)**

**NOTE 8 RETIREMENT PLANS (Continued)**

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 and CERS's investment consultant, are summarized in the following table:

| <u>Asset Class</u>         | <u>KTRS Target Allocation</u> | <u>KTRS Long-Term Expected Real Rate of Return</u> | <u>CERS Target Allocation</u> | <u>CERS Long-Term Expected Real Rate of Return</u> |
|----------------------------|-------------------------------|--|-------------------------------|--|
| US equity                  | 45%                           | 6.40%  | 30%                           | 8.45%  |
| Non-US equity              | 17%                           | 6.50%  | 22%                           | 8.85%  |
| Emerging market equity     | -                             | -  | 5%                            | 10.50%   |
| Private equity             | -                             | -  | 7%                            | 1.25%  |
| Core US fixed income       | -                             | -  | 10%                           | 5.25%  |
| High yield US fixed income | -                             | -  | 5%                            | 7.25%  |
| Non-US fixed incomes       | -                             | -  | 5%                            | 5.50%  |
| Commodities                | -                             | -  | 5%                            | 7.75%  |
| Fixed income               | 24%                           | 1.60%  | -                             | -  |
| High yield bonds           | 4%                            | 3.10%  | -                             | -  |
| Real estate                | 4%                            | 5.80%  | 5%                            | 7.00%  |
| Alternatives               | 4%                            | 6.80%  | -                             | -  |
| Cash                       | 2%                            | 1.50%  | 1%                            | 3.25%  |
| Total                      | <u>100%</u>                   |  | <u>100%</u>                   |  |

***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.

**SCOTT COUNTY SCHOOL DISTRICT**

**Notes to the Financial Statement  
(Continued)**

**NOTE 8 RETIREMENT PLANS (Continued)**

***Sensitivity of CERS and KTRS proportionate share of net pension liability to changes in the discount rate***

The following table presents the net pension liability of the District, calculated using the discount rates selected by each pension system, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

|   | <u>1% Decrease</u> | <u>Current Discount Rate</u> | <u>1% Increase</u> |
|---|--------------------|------------------------------|--------------------|
| CERS  | 6.75%              | 7.75%                        | 8.75%              |
| District's proportionate share of net pension liability | 19,365,271         | 14,716,000                   | 10,608,259         |
| 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 9 CONTINGENCIES**

Grant Fund Approval

The District receives funding from federal, state, and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if 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 unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue the programs.

**NOTE 10 INSURANCE AND RELATED ACTIVITIES**

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

**NOTE 11 RISK MANAGEMENT**

The District is self-insured for unemployment insurance benefits. The District reimburses the state for any claims paid. The District purchases workers' compensation insurance through Kentucky Employer's Mutual Insurance. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**SCOTT COUNTY SCHOOL DISTRICT**

**Notes to the Financial Statement  
(Continued)**

**NOTE 12 DEFICIT OPERATING/FUND BALANCES**

The District currently has no funds with a deficit fund balance. However, the following funds have operations that resulted in a current year deficit of revenues over expenditures, resulting in a corresponding reduction of fund balance:

|                            |              |
|----------------------------|--------------|
| Construction Fund          | \$ 1,919,331 |
| Trust Fund                 | 30           |
| Food Service Fund          | 134,118      |
| Anne Mason Elementary      | 11,432       |
| Georgetown Middle          | 8,003        |
| Royal Spring Middle        | 7,605        |
| Southern Elementary        | 6,705        |
| Scott County Ninth Grade   | 5,192        |
| Eastern Elementary         | 3,364        |
| Garth Elementary           | 3,935        |
| Stamping Ground Elementary | 2,207        |

**NOTE 13 COBRA**

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

**NOTE 14 CONTINGENT LIABILITY**

The District was a participant in the Kentucky School Board Insurance Trust in which the District purchases general liability and workers' compensation insurance. As of June 30, 2015, the District has paid its portion of the deficit in the trust. No contingent liability needs to be recorded in the District Wide Financial Statements.

**NOTE 15 TRANSFER OF FUNDS**

The following transfers were made during the year.

| <u>From Fund</u>       | <u>To Fund</u>         | <u>Purpose</u> | <u>Amount</u> |
|------------------------|------------------------|----------------|---------------|
| General Fund           | Day Care Fund          | Operations     | \$ 60,000     |
| General Fund           | Day Care Fund          | Operations     | \$ 3,600      |
| General Fund           | Special Revenue Fund   | KETS           | \$ 187,037    |
| Special Revenue Fund   | General Fund           | Indirect Costs | \$ 46,873     |
| District Activity Fund | District Activity Fund | Operations     | \$ 7,000      |
| Capital Outlay Fund    | Construction Fund      | Construction   | \$ 483,489    |
| Building Fund          | Debt Service Fund      | Debt service   | \$ 7,795,656  |
| Day Care Fund          | General Fund           | Operations     | \$ 401,696    |
| Food Service Fund      | General Fund           | Indirect Costs | \$ 60,000     |

**SCOTT COUNTY SCHOOL DISTRICT**

**Notes to the Financial Statement  
(Continued)**

**NOTE 16 ON-BEHALF PAYMENTS**

For the year ended June 30, 2015 total payments of \$13,866,272 were made for life insurance, health insurance, KTRS matching, technology and administrative fees by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the statement of activities.

|                 |                      |
|-----------------|----------------------|
| General Fund    | \$ 11,829,688        |
| Debt Service    | 1,330,863            |
| Day Care        | 226,839              |
| Food Service    | <u>478,882</u>       |
| Total On-Behalf | <u>\$ 13,866,272</u> |

**NOTE 17 SCHEDULE OF LONG-TERM OBLIGATIONS**

| FISCAL YEAR | Scott County School District |                      |                       | KY School Facilities Construction Commission |                     |                      |                       |
|-------------|------------------------------|----------------------|-----------------------|--|---------------------|----------------------|-----------------------|
|             | Principal                    | Interest             | Total                 | Principal                                    | Interest            | Total                | Requirements          |
| 2015-2016   | \$ 4,518,743                 | \$ 3,313,054         | \$ 7,831,797          | \$ 901,257                                   | \$ 375,472          | \$ 1,276,729         | \$ 9,108,525          |
| 2016-2017   | 4,641,064                    | 3,194,687            | 7,835,751             | 923,936                                      | 352,796             | 1,276,732            | 9,112,483             |
| 2017-2018   | 4,771,431                    | 3,065,432            | 7,836,863             | 948,569                                      | 328,162             | 1,276,731            | 9,113,595             |
| 2018-2019   | 4,909,064                    | 2,924,182            | 7,833,246             | 915,936                                      | 302,411             | 1,218,347            | 9,051,593             |
| 2019-2020   | 5,045,024                    | 2,778,870            | 7,823,894             | 779,976                                      | 277,608             | 1,057,584            | 8,881,479             |
| 2020-2021   | 5,213,401                    | 2,627,522            | 7,840,923             | 801,599                                      | 255,981             | 1,057,580            | 8,898,503             |
| 2021-2022   | 5,346,131                    | 2,482,637            | 7,828,768             | 823,869                                      | 233,711             | 1,057,580            | 8,886,349             |
| 2022-2023   | 5,503,145                    | 2,332,797            | 7,835,942             | 846,855                                      | 210,727             | 1,057,582            | 8,893,524             |
| 2023-2024   | 5,629,285                    | 2,163,384            | 7,792,669             | 870,715                                      | 186,866             | 1,057,581            | 8,850,250             |
| 2024-2025   | 5,907,765                    | 1,984,671            | 7,892,436             | 647,235                                      | 161,868             | 809,103              | 8,701,538             |
| 2025-2026   | 6,292,073                    | 1,721,280            | 8,013,353             | 667,927                                      | 141,176             | 809,103              | 8,822,456             |
| 2026-2027   | 6,559,735                    | 1,453,767            | 8,013,502             | 690,265                                      | 118,837             | 809,102              | 8,822,604             |
| 2027-2028   | 6,838,911                    | 1,173,470            | 8,012,381             | 581,089                                      | 95,437              | 676,526              | 8,688,907             |
| 2028-2029   | 7,109,744                    | 904,732              | 8,014,476             | 600,256                                      | 76,272              | 676,528              | 8,691,004             |
| 2029-2030   | 5,547,244                    | 593,770              | 6,141,014             | 482,756                                      | 56,455              | 539,211              | 6,680,225             |
| 2030-2031   | 5,682,405                    | 417,089              | 6,099,494             | 497,595                                      | 41,616              | 539,211              | 6,638,705             |
| 2031-2032   | 5,801,925                    | 231,074              | 6,032,999             | 513,075                                      | 26,136              | 539,211              | 6,572,210             |
| 2032-2033   | 1,207,197                    | 36,216               | 1,243,413             | 332,803                                      | 9,984               | 342,787              | 1,586,200             |
|             | <u>\$ 96,524,287</u>         | <u>\$ 33,398,634</u> | <u>\$ 129,922,921</u> | <u>\$ 12,825,713</u>                         | <u>\$ 3,251,514</u> | <u>\$ 16,077,227</u> | <u>\$ 146,000,149</u> |

A summary of the changes in the principal of the outstanding bond obligations and the capital leases for the District during the year ended June 30, 2015 is as follows:

| Governmental Activities | Balance July 1, 2014 | Additions | Payments     | Balance June 30, 2015 |
|-------------------------|----------------------|-----------|--------------|-----------------------|
| Bond Obligations        | \$ 114,700,000       | \$ -      | \$ 5,350,000 | \$ 109,350,000        |
| Bond Premium            | \$ 701,829           | \$ -      | \$ 69,636    | \$ 632,193            |
| Capital Leases          | \$ 1,192,707         | \$ -      | \$ 246,507   | \$ 946,200            |

**SCOTT COUNTY SCHOOL DISTRICT**

**Notes to the Financial Statement  
(Continued)**

**NOTE 18 - CHANGE IN ACCOUNTING PRINCIPLE**

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

GASB 68 required retrospective application. Since the District only presents one year of financial information, the beginning net pension was adjusted to reflect the retrospective application. The adjustment resulted in a \$14,716,000 reduction in beginning net position on the Statement of Activities and an increase of \$1,964,864 of deferred outflows of resources – District contributions subsequent to the measurement date.

**NOTE 19 - SUBSEQUENT EVENTS**

Subsequent events were considered through November 13, 2015, which represents the release date of our report.

SUPPLEMENTARY  
INFORMATION

**SCOTT COUNTY SCHOOL DISTRICT**

**Combining Balance Sheet – Nonmajor Governmental Funds  
As of June 30, 2015**

|                                      | <u>Capital Outlay<br/>Fund</u> | <u>Building<br/>Fund</u> | <u>District Activity<br/>Fund</u> | <u>Construction<br/>Fund</u> | <u>Total<br/>Nonmajor<br/>Government<br/>Funds</u> |
|--------------------------------------|--------------------------------|--------------------------|-----------------------------------|------------------------------|--|
| <b>Assets</b>                        |                                |                          |                                   |                              |  |
| <b>Current:</b>                      |                                |                          |                                   |                              |  |
| Cash and cash equivalents            | \$ 431,875                     | \$ 285,130               | \$ 412,717                        | \$ 818,128                   | \$ 1,947,850                                       |
| Total current                        | <u>\$ 431,875</u>              | <u>\$ 285,130</u>        | <u>\$ 412,717</u>                 | <u>\$ 818,128</u>            | <u>\$ 1,947,850</u>                                |
| <b>Liabilities and Fund Balances</b> |                                |                          |                                   |                              |  |
| <b>Liabilities:</b>                  |                                |                          |                                   |                              |  |
| Accounts payable                     | \$ -                           | \$ -                     | \$ 87,720                         | \$ 189,033                   | \$ 276,753   |
| Total liabilities                    | <u>-</u>                       | <u>-</u>                 | <u>87,720</u>                     | <u>189,033</u>               | <u>276,753</u>                                     |
| <b>Fund Balances:</b>                |                                |                          |                                   |                              |  |
| Restricted:                          |                                |                          |                                   |                              |  |
| Capital projects fund                | 431,875                        | 285,130                  | -                                 | 629,095                      | 1,346,100  |
| Other                                | -                              | -                        | 324,997                           | -                            | 324,997  |
| Committed:                           |                                |                          |                                   |                              |  |
| Site-based carryforward              | <u>-</u>                       | <u>-</u>                 | <u>-</u>                          | <u>-</u>                     | <u>-</u>   |
| Total fund balances                  | <u>431,875</u>                 | <u>285,130</u>           | <u>324,997</u>                    | <u>629,095</u>               | <u>1,671,097</u>                                   |
| Total liabilities and fund balances  | <u>\$ 431,875</u>              | <u>\$ 285,130</u>        | <u>\$ 412,717</u>                 | <u>\$ 818,128</u>            | <u>\$ 1,947,850</u>                                |

**SCOTT COUNTY SCHOOL DISTRICT**

**Combining Statement of Revenues, Expenditures and Changes  
In Fund Balances – Nonmajor Governmental Funds  
As of June 30, 2015**

|  | <b>Capital Outlay<br/>Fund</b> | <b>Building<br/>Fund</b> | <b>District Activity<br/>Fund</b> | <b>Construction<br/>Fund</b> | <b>Total<br/>Nonmajor<br/>Government<br/>Funds</b> |
|--|--------------------------------|--------------------------|-----------------------------------|------------------------------|--|
| <b>Revenues:</b>                               |                                |                          |                                   |                              |  |
| Taxes  | \$ -                           | \$ 6,530,481             | \$ -                              | \$ -                         | \$ 6,530,481                                       |
| Earnings on investments                        | -                              | -                        | -                                 | 3,343                        | 3,343  |
| State sources                                  | 788,062                        | 1,548,932                | -                                 | -                            | 2,336,994  |
| Other sources                                  | -                              | -                        | 754,021                           | -                            | 754,021  |
| Total revenues                                 | <u>788,062</u>                 | <u>8,079,413</u>         | <u>754,021</u>                    | <u>3,343</u>                 | <u>9,624,839</u>                                   |
| <b>Expenditures:</b>                           |                                |                          |                                   |                              |  |
| Instructional                                  | -                              | -                        | 489,805                           | -                            | 489,805  |
| Student support services                       | -                              | -                        | 1,446                             | -                            | 1,446  |
| Staff support services                         | -                              | -                        | 84,572                            | -                            | 84,572   |
| Student transportation                         | -                              | -                        | 42,300                            | -                            | 42,300   |
| Facility acquisition and construction          | -                              | -                        | -                                 | 2,406,163                    | 2,406,163  |
| Total expenditures                             | <u>-</u>                       | <u>-</u>                 | <u>618,123</u>                    | <u>2,406,163</u>             | <u>3,024,286</u>                                   |
| Excess (deficit) of revenues over expenditures | <u>788,062</u>                 | <u>8,079,413</u>         | <u>135,898</u>                    | <u>(2,402,820)</u>           | <u>6,600,553</u>                                   |
| <b>Other Financing Sources (Uses)</b>          |                                |                          |                                   |                              |  |
| Operating transfers in                         | -                              | -                        | 7,000                             | 483,489                      | 490,489  |
| Operating transfers out                        | <u>(483,489)</u>               | <u>(7,795,656)</u>       | <u>(7,000)</u>                    | <u>-</u>                     | <u>(8,286,145)</u>                                 |
| Total other financing sources(uses)            | <u>(483,489)</u>               | <u>(7,795,656)</u>       | <u>-</u>                          | <u>483,489</u>               | <u>(7,795,656)</u>                                 |
| Net change in fund balance                     | 304,573                        | 283,757                  | 135,898                           | (1,919,331)                  | (1,195,103)  |
| Fund balance, July 1, 2014                     | <u>\$ 127,302</u>              | <u>\$ 1,373</u>          | <u>\$ 189,099</u>                 | <u>\$ 2,548,426</u>          | <u>\$ 2,866,200</u>                                |
| Fund balance, June 30, 2015                    | <u><u>\$ 431,875</u></u>       | <u><u>\$ 285,130</u></u> | <u><u>\$ 324,997</u></u>          | <u><u>\$ 629,095</u></u>     | <u><u>\$ 1,671,097</u></u>                         |

**SCOTT COUNTY SCHOOL DISTRICT**

**Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget to Actual – General Fund  
Year Ended June 30, 2015**

|                                       | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>       | <u>Variance with<br/>Final Budget<br/>Favorable<br/>(Unfavorable)</u> |
|---------------------------------------|----------------------------|-------------------------|---------------------|---|
| <b>Revenues</b>                       |                            |                         |                     |   |
| Taxes                                 | \$ 22,307,029              | \$ 22,532,529           | \$ 22,783,238       | \$ 250,709  |
| Earnings on investments               | 72,000                     | 72,000                  | 86,364              | 14,364  |
| State sources                         | 27,949,477                 | 39,109,039              | 40,037,969          | 928,930   |
| Federal sources                       | 45,000                     | 45,000                  | 81,749              | 36,749  |
| Other sources                         | <u>728,619</u>             | <u>761,526</u>          | <u>1,469,711</u>    | <u>708,185</u>  |
| Total revenues                        | <u>51,102,125</u>          | <u>62,520,094</u>       | <u>64,459,031</u>   | <u>1,938,937</u>  |
| <b>Expenditures</b>                   |                            |                         |                     |   |
| Instructional                         | 30,482,193                 | 37,991,683              | 37,504,572          | 487,111   |
| Student support services              | 3,204,260                  | 4,282,250               | 4,371,876           | (89,626)  |
| Staff support services                | 2,328,123                  | 2,820,306               | 2,673,820           | 146,486   |
| District administration               | 1,670,347                  | 1,703,225               | 1,651,010           | 52,215  |
| School administration                 | 3,845,169                  | 4,269,417               | 4,133,428           | 135,989   |
| Business support services             | 1,141,283                  | 1,405,337               | 1,369,532           | 35,805  |
| Plant operation and maintenance       | 6,500,112                  | 7,142,400               | 6,662,992           | 479,408   |
| Student transportation                | 3,914,906                  | 5,275,405               | 5,162,191           | 113,214   |
| Food service operation                | 900                        | 900                     | 1,956               | (1,056)   |
| Facility acquisition and construction | 45                         | 45                      | 45                  | -   |
| Other                                 | <u>3,692,937</u>           | <u>3,994,514</u>        | <u>586,445</u>      | <u>3,408,069</u>  |
| Total expenditures                    | <u>56,780,275</u>          | <u>68,885,482</u>       | <u>64,117,867</u>   | <u>4,767,615</u>  |
| Net change in fund balance            | (5,678,150)                | (6,365,388)             | 341,164             | 6,706,552   |
| Fund balance, July 1, 2014            | <u>5,678,150</u>           | <u>6,365,388</u>        | <u>9,508,815</u>    | <u>3,143,427</u>  |
| Fund balance, June 30, 2015           | <u>\$ -</u>                | <u>\$ -</u>             | <u>\$ 9,849,979</u> | <u>\$ 9,849,979</u>   |

**SCOTT COUNTY SCHOOL DISTRICT**

**Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget to Actual – Special Revenue Fund  
Year Ended June 30, 2015**

|                                 | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>     | <u>Variance with<br/>Final Budget<br/>Favorable<br/>(Unfavorable)</u> |
|---------------------------------|----------------------------|-------------------------|-------------------|---|
| <b>Revenues</b>                 |                            |                         |                   |   |
| Earnings on investments         | \$ -                       | \$ -                    | \$ 88             | \$ 88.00  |
| State sources                   | 3,036,088                  | 3,334,153               | 3,321,133         | (13,020)  |
| Federal sources                 | 3,534,879                  | 3,564,527               | 3,749,686         | 185,159   |
| Other sources                   | <u>162,620</u>             | <u>219,331</u>          | <u>291,246</u>    | <u>71,915</u>   |
| Total revenues                  | <u>6,733,587</u>           | <u>7,118,011</u>        | <u>7,362,153</u>  | <u>244,142</u>  |
| <b>Expenditures</b>             |                            |                         |                   |   |
| Instructional                   | 5,122,609                  | 5,193,468               | 5,054,052         | 139,416   |
| Student support services        | 198,313                    | 304,174                 | 543,728           | (239,554)   |
| Staff support services          | 716,907                    | 846,868                 | 807,547           | 39,321  |
| School administration           | -                          | -                       | 452               | (452)   |
| Plant operation and maintenance | 26,071                     | 55,921                  | 55,866            | 55  |
| Student transportation          | 131,700                    | 157,920                 | 181,819           | (23,899)  |
| Community service operations    | 484,685                    | 506,223                 | 495,439           | 10,784  |
| Other                           | <u>53,302</u>              | <u>53,437</u>           | <u>46,873</u>     | <u>6,564</u>  |
| Total expenditures              | <u>6,733,587</u>           | <u>7,118,011</u>        | <u>7,185,776</u>  | <u>(67,765)</u>   |
| Net change in fund balance      | -                          | -                       | 176,377           | 176,377   |
| Fund balance, July 1, 2014      | <u>-</u>                   | <u>-</u>                | <u>84,242</u>     | <u>84,242</u>   |
| Fund balance, June 30, 2015     | <u>\$ -</u>                | <u>\$ -</u>             | <u>\$ 260,619</u> | <u>\$ 260,619</u>   |

**SCOTT COUNTY SCHOOL DISTRICT**

**Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget to Actual – Debt Service Fund  
Year Ended June 30, 2015**

|                             | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>          | <u>Variance with<br/>Final Budget<br/>Favorable<br/>(Unfavorable)</u> |
|-----------------------------|----------------------------|-------------------------|------------------------|---|
| <b>Revenues</b>             |                            |                         |                        |   |
| State sources               | \$ 1,330,863               | \$ 1,330,863            | \$ 1,330,863           | \$ -  |
| Other sources               | <u>7,795,656</u>           | <u>7,795,656</u>        | <u>7,795,656</u>       | <u>-</u>  |
| Total revenues              | <u>9,126,519</u>           | <u>9,126,519</u>        | <u>9,126,519</u>       | <u>-</u>  |
| <b>Expenditures</b>         |                            |                         |                        |   |
| Debt service                | <u>9,126,519</u>           | <u>9,127,963</u>        | <u>9,126,519</u>       | <u>-</u>  |
| Total expenditures          | <u>9,126,519</u>           | <u>9,127,963</u>        | <u>9,126,519</u>       | <u>-</u>  |
| Net change in fund balance  | -                          | (1,444)                 | -                      | 1,444   |
| Fund balance, July 1, 2014  | <u>-</u>                   | <u>1,444</u>            | <u>1,444</u>           | <u>-</u>  |
| Fund balance, June 30, 2015 | <u><u>\$ -</u></u>         | <u><u>\$ -</u></u>      | <u><u>\$ 1,444</u></u> | <u><u>\$ 1,444</u></u>  |

**SCOTT COUNTY SCHOOL DISTRICT**

**Statement of Receipts, Disbursements and Fund Balance  
Bond and Interest Redemption Funds  
For the Year Ended June 30, 2015**

|  | <u>Issue of<br/>2005</u>       | <u>Issue of<br/>2007</u>  | <u>Issue of<br/>2007B</u>      | <u>Issue of<br/>2008 - Ref</u>  | <u>Issue of<br/>2008B</u> | <u>Issue of<br/>2009</u>       | <u>Issue of<br/>2010 - Ref</u>   | <u>Issue of<br/>2010B - Ref</u> |
|--|--------------------------------|---------------------------|--------------------------------|---------------------------------|---------------------------|--------------------------------|----------------------------------|---------------------------------|
| <b>Cash at July 1, 2014</b>              | \$ -                           | \$ -                      | \$ -                           | \$ -                            | \$ -                      | \$ -                           | \$ -                             | \$ -                            |
| <b>Receipts:</b>                         |                                |                           |                                |                                 |                           |                                |                                  |                                 |
| Transfers and miscellaneous deposits     | 803,675                        | 406,000                   | 792,170                        | 340,145                         | 252,970                   | 921,905                        | 484,487                          | 776,550                         |
| <b>Disbursements:</b>                    |                                |                           |                                |                                 |                           |                                |                                  |                                 |
| Bonds paid                               | 775,000                        | 80,000                    | 355,000                        | 55,000                          | 230,000                   | 350,000                        | 425,000                          | 550,000                         |
| Interest coupons                         | 28,675                         | 326,000                   | 437,170                        | 285,145                         | 22,970                    | 571,905                        | 59,487                           | 226,550                         |
| Total disbursements                      | 803,675                        | 406,000                   | 792,170                        | 340,145                         | 252,970                   | 921,905                        | 484,487                          | 776,550                         |
| Excess of receipts<br>over disbursements | -                              | -                         | -                              | -                               | -                         | -                              | -                                | -                               |
| <b>Cash at June 30, 2015</b>             | -                              | -                         | -                              | -                               | -                         | -                              | -                                | -                               |
| <b>Fund Balance at June 30, 2015</b>     | \$ -                           | \$ -                      | \$ -                           | \$ -                            | \$ -                      | \$ -                           | \$ -                             | \$ -                            |
|  | <u>Issue of<br/>2011 - Ref</u> | <u>Issue of<br/>2,012</u> | <u>Issue of<br/>2012 - Ref</u> | <u>Issue of<br/>2012B - Ref</u> | <u>Issue of<br/>2,013</u> | <u>Issue of<br/>2013 - Ref</u> | <u>Issue of<br/>2013 - KISTA</u> | <u>Total</u>                    |
| <b>Cash at July 1, 2014</b>              | \$ -                           | \$ -                      | \$ -                           | \$ -                            | \$ -                      | \$ -                           | \$ -                             | \$ -                            |
| <b>Receipts:</b>                         |                                |                           |                                |                                 |                           |                                |                                  |                                 |
| Transfers and miscellaneous deposits     | 1,465,320                      | 944,538                   | 325,894                        | 623,425                         | 428,240                   | 561,200                        | 48,750                           | 9,175,269                       |
| <b>Disbursements:</b>                    |                                |                           |                                |                                 |                           |                                |                                  |                                 |
| Bonds paid                               | 1,250,000                      | 320,000                   | 260,000                        | 445,000                         | 215,000                   | -                              | 40,000                           | 5,350,000                       |
| Interest coupons                         | 215,320                        | 624,538                   | 65,894                         | 178,425                         | 213,240                   | 561,200                        | 8,750                            | 3,825,269                       |
| Total disbursements                      | 1,465,320                      | 944,538                   | 325,894                        | 623,425                         | 428,240                   | 561,200                        | 48,750                           | 7,187,761                       |
| Excess of receipts<br>over disbursements | -                              | -                         | -                              | -                               | -                         | -                              | -                                | -                               |
| <b>Cash at June 30, 2015</b>             | -                              | -                         | -                              | -                               | -                         | -                              | -                                | -                               |
| <b>Fund Balance at June 30, 2015</b>     | \$ -                           | \$ -                      | \$ -                           | \$ -                            | \$ -                      | \$ -                           | \$ -                             | \$ -                            |

**SCOTT COUNTY SCHOOL DISTRICT**

**Statement of Receipts, Disbursements and Fund Balance  
Scott County High School Activity Fund  
Year Ended June 30, 2015**

| Account #                 | Fund Balance | Receipts | Disbursements | Fund Balance  |
|---------------------------|--------------|----------|---------------|---------------|
|                           | July 1, 2014 |          |               | June 30, 2015 |
| 300 Academic Team         | \$ 180       | \$ 582   | \$ 710        | \$ 52         |
| 402 AFJROTC/FUND 21       | 834          | 22,305   | 18,938        | 4,201         |
| 710 Annual                | 14,120       | 2,550    | 431           | 16,239        |
| 309 AP Club               | 708          | 742      | 445           | 1,005         |
| 501 Archery               | 896          | 3,206    | 2,169         | 1,933         |
| 419 Art Explorers         | 501          | 556      | 406           | 651           |
| 452 Art Fees              | 977          | -        | -             | 977           |
| 536 Athletic General      | -            | 40,276   | 40,276        | -             |
| 535 Athletic Office       | -            | 6,886    | 6,886         | -             |
| 540 Athletic Trainer      | 265          | -        | -             | 265           |
| 265 Auditorium Rental     | 2,473        | -        | -             | 2,473         |
| 410 Band                  | 282          | 11,117   | 967           | 10,432        |
| 500 Baseball              | 11,268       | 13,231   | 8,502         | 15,997        |
| 551 Basketball District   | -            | -        | -             | -             |
| 506 Bass Fishing          | -            | 2,390    | 1,932         | 458           |
| 302 Beta Club             | 51           | 13,861   | 12,785        | 1,127         |
| 786 Bevins FFA Donation   | 3,000        | -        | -             | 3,000         |
| 510 Bowling               | 3,314        | 4,150    | 4,271         | 3,193         |
| 502 Boys Basketball       | -            | 29,134   | 29,134        | -             |
| 513 Boys Golf             | 5,307        | 4,295    | 6,984         | 2,618         |
| 517 Boys Soccer           | 5,527        | 9,572    | 10,858        | 4,241         |
| 525 Boys Tennis           | -            | 1,764    | 1,684         | 80            |
| 529 Boys Track            | 748          | 2,377    | 1,921         | 1,204         |
| 407 B-Team                | 177          | -        | 177           | -             |
| 444 Business Fees         | 913          | -        | 183           | 730           |
| 720 Cardinal Academy      | 14,452       | 160      | 9,033         | 5,579         |
| 553 Cardinal Challenge    | -            | 36,345   | 34,597        | 1,748         |
| 230 CBI                   | 89           | 2,431    | 2,520         | -             |
| 232 CBI 2                 | 124          | 4,073    | 3,920         | 277           |
| 507 Cheer                 | 5,519        | 60,167   | 52,528        | 13,158        |
| 305 Chess Club            | 146          | -        | -             | 146           |
| 416 Childcare Acct.       | 509          | -        | -             | 509           |
| 418 Choral                | 4,509        | 92,315   | 95,373        | 1,451         |
| 420 Co-op                 | 285          | 550      | 380           | 455           |
| 558 Corporate Sponsors    | 1,485        | 11,390   | 10,248        | 2,627         |
| 115 Courtesy Committee    | 161          | 677      | 820           | 18            |
| 301 Creative Writing Club | -            | 75       | 47            | 28            |
| 509 Cross County          | 3,986        | 5,110    | 6,379         | 2,717         |
| 304 Dance Team Club       | 6,283        | 25,110   | 24,839        | 6,554         |
| 450 Deca Club             | 2,432        | 37,620   | 37,504        | 2,548         |
| 574 Donations             | 1,300        | 10,151   | 11,251        | 200           |
| 439 Drama Club            | 10,290       | 21,122   | 17,194        | 14,218        |
| 276 Environmental Club    | 27           | 290      | 290           | 27            |
| 215 Faculty Snack Machine | 104          | -        | 104           | -             |
| 210 Faculty Vending       | -            | 506      | 307           | 199           |

**SCOTT COUNTY SCHOOL DISTRICT**

**Statement of Receipts, Disbursements and Fund Balance  
Scott County High School Activity Fund (Continued)  
Year Ended June 30, 2015**

| Account #                  | Fund         |          |               | Fund          |  |
|----------------------------|--------------|----------|---------------|---------------|--|
|                            | Balance      | Receipts | Disbursements | Balance       |  |
|                            | July 1, 2014 |          |               | June 30, 2015 |  |
| 426 Family Consumer        | \$ 1,385     | \$ 2,132 | \$ 1,584      | \$ 1,933      |  |
| 306 FBLA                   | 482          | 434      | 361           | 555           |  |
| 310 FCA                    | 1,605        | 360      | 187           | 1,778         |  |
| 312 FCCLA                  | 211          | 5,748    | 5,690         | 269           |  |
| 424 FFA                    | 1,953        | 28,277   | 25,242        | 4,988         |  |
| 785 Fister Scholarship     | 3,355        | -        | 250           | 3,105         |  |
| 233 FMD 2                  | 559          | 69       | 628           | -             |  |
| 229 FMD Activities         | 38           | 852      | 717           | 173           |  |
| 511 Football               | 859          | 56,886   | 57,745        | -             |  |
| 314 Foreign Language       | 631          | -        | 631           | -             |  |
| 405 French Club            | 326          | 1,530    | 1,538         | 318           |  |
| 2100 Fund 21 Sweep         | 26           | -        | -             | 26            |  |
| 557 Game Workers           | 50           | -        | 50            | -             |  |
| 100 General Fund           | 1,587        | 1,027    | 2,390         | 224           |  |
| 303 German Club            | 74           | 1,175    | 1,186         | 63            |  |
| 504 Girls Basketball       | -            | 14,736   | 14,101        | 635           |  |
| 515 Girls Golf             | 1,507        | 2,362    | 3,869         | -             |  |
| 519 Girls Soccer           | 25,643       | 17,877   | 23,003        | 20,517        |  |
| 527 Girls Tennis           | 3,604        | 753      | 1,995         | 2,362         |  |
| 531 Girls Track            | 704          | 2,377    | 1,921         | 1,160         |  |
| 318 GSA                    | 446          | 280      | 165           | 561           |  |
| 576 Hall of Fame           | -            | 4,000    | 4,000         | -             |  |
| 327 Hantis                 | 90           | 580      | 26            | 644           |  |
| 414 Hospitality Acct.      | 321          | 690      | 888           | 123           |  |
| 725 Inactive Account       | 219          | -        | 219           | -             |  |
| 110 Interest               | -            | 219      | 81            | 138           |  |
| 316 International Club     | 648          | 130      | -             | 778           |  |
| 275 Japan Student Trip     | 419          | 9,500    | 7,442         | 2,477         |  |
| 274 Japanese Club          | 141          | 1,247    | 120           | 1,268         |  |
| 455 JCB Club               | 350          | 715      | 725           | 340           |  |
| 790 JTF Memorial FFA CD    | 3,741        | -        | 250           | 3,491         |  |
| 600 Junior Class           | 5,497        | 26,405   | 16,835        | 15,067        |  |
| 322 Key Club               | 1,952        | 934      | 854           | 2,032         |  |
| 516 Lacrosse-Boys          | 5,326        | 4,155    | 6,909         | 2,572         |  |
| 518 Lacrosse-Girls         | 1,153        | 3,783    | 4,260         | 676           |  |
| 434 Math Fund              | 75           | -        | 75            | -             |  |
| 326 National Honor Society | 706          | 2,814    | 2,500         | 1,020         |  |
| 313 Psychology Club        | 775          | 340      | 93            | 1,022         |  |
| 544 Reserved Seating       | 523          | 7,650    | 7,293         | 880           |  |
| 307 Save-US                | 757          | 328      | 384           | 701           |  |
| 266 SCHS/BPFP 9-12         | 3,099        | -        | 564           | 2,535         |  |
| 442 Science Fees           | 2,274        | -        | 1,061         | 1,213         |  |
| 610 Senior Class           | 4,231        | 3,430    | 2,229         | 5,432         |  |
| 700 SMAC                   | 335          | 221      | 442           | 114           |  |
| 514 Soccer Districts       | -            | 3,208    | 3,208         | -             |  |
| 299 Social Studies         | 8            | -        | -             | 8             |  |

**SCOTT COUNTY SCHOOL DISTRICT**

**Statement of Receipts, Disbursements and Fund Balance  
Scott County High School Activity Fund (Continued)  
Year Ended June 30, 2015**

| Account #                    | Fund              | Receipts          | Disbursements     | Fund              |  |
|------------------------------|-------------------|-------------------|-------------------|-------------------|--|
|                              | Balance           |                   |                   | Balance           |  |
|                              | July 1, 2014      |                   |                   | June 30, 2015     |  |
| 521 Softball                 | 2,570             | 17,900            | 18,334            | 2,136             |  |
| 584 Softball Districts       | 226               | -                 | 226               | -                 |  |
| 470 Sophomore Club           | -                 | 144               | 144               | -                 |  |
| 336 Student Council          | 4,987             | 1,160             | 848               | 5,299             |  |
| 120 Student Fees             | 2,003             | -                 | 2,003             | -                 |  |
| 220 Student Incentive        | 4,072             | 3,735             | 6,337             | 1,470             |  |
| 541 Student Passes           | 2,262             | 930               | 1,283             | 1,909             |  |
| 200 Student Vending          | 957               | 168               | 684               | 441               |  |
| 523 Swimming                 | -                 | 818               | 818               | -                 |  |
| 308 Teen Activism            | 166               | -                 | -                 | 166               |  |
| 552 Toyota Classic           | 2,732             | 54,690            | 54,185            | 3,237             |  |
| 556 Transportation           | 3,000             | -                 | 3,000             | -                 |  |
| 277 Tri M Honors             | 995               | 560               | -                 | 1,555             |  |
| 533 Volleyball               | 2,627             | 6,268             | 7,006             | 1,889             |  |
| 534 Volleyball District      | -                 | 595               | 595               | -                 |  |
| 573 Website                  | -                 | 430               | 430               | -                 |  |
| 406 World Language           | -                 | 1,757             | 416               | 1,341             |  |
| 512 Wrestling                | 932               | 4,828             | 5,593             | 167               |  |
| 337 Young Dems               | 602               | 70                | 69                | 603               |  |
| 423 Young Farmers of America | 36                | -                 | -                 | 36                |  |
| 425 Young Republicans        | 592               | -                 | -                 | 592               |  |
| 297 Youth Alive Club         | 310               | 205               | 148               | 367               |  |
| 342 Youth Impact Club        | 1,329             | 150               | 198               | 1,281             |  |
|                              | <u>1,329</u>      | <u>150</u>        | <u>198</u>        | <u>1,281</u>      |  |
| Total                        | <u>\$ 211,325</u> | <u>\$ 778,718</u> | <u>\$ 763,021</u> | <u>\$ 227,022</u> |  |

**SCOTT COUNTY SCHOOL DISTRICT**

**Statement of Receipts, Disbursements and Fund Balance  
School Activity Funds  
For the Year Ended June 30, 2015**

|                               | <u>Anne<br/>Mason<br/>Elementary</u> | <u>Eastern<br/>Elementary</u>             | <u>Garth<br/>Elementary</u>         | <u>Northern<br/>Elementary</u>    | <u>Lemons<br/>Mill<br/>Elementary</u> |
|-------------------------------|--------------------------------------|---|-------------------------------------|-----------------------------------|---------------------------------------|
| Fund balance at July 1, 2014  | \$ 17,684                            | \$ 13,421                                 | \$ 21,432                           | \$ 9,153                          | \$ 540                                |
| Add: receipts                 | 17,199                               | 25,387                                    | 7,152                               | 17,180                            | 14,340                                |
| Less: disbursements           | <u>(28,631)</u>                      | <u>(28,751)</u>                           | <u>(11,087)</u>                     | <u>(15,849)</u>                   | <u>(13,052)</u>                       |
| Fund balance at June 30, 2015 | <u>\$ 6,252</u>                      | <u>\$ 10,057</u>                          | <u>\$ 17,497</u>                    | <u>\$ 10,484</u>                  | <u>\$ 1,828</u>                       |
|                               | <u>Southern<br/>Elementary</u>       | <u>Stamping<br/>Ground<br/>Elementary</u> | <u>Western<br/>Elementary</u>       | <u>Elkhorn<br/>Crossing</u>       | <u>Georgetown<br/>Middle</u>          |
| Fund balance at July 1, 2014  | \$ 30,658                            | \$ 13,214                                 | \$ 4,322                            | \$ 5,805                          | \$ 29,196                             |
| Add: receipts                 | 23,175                               | 17,064                                    | 15,323                              | 57,243                            | 38,015                                |
| Less: disbursements           | <u>(29,880)</u>                      | <u>(19,271)</u>                           | <u>(14,755)</u>                     | <u>(55,968)</u>                   | <u>(46,018)</u>                       |
| Fund balance at June 30, 2015 | <u>\$ 23,953</u>                     | <u>\$ 11,007</u>                          | <u>\$ 4,890</u>                     | <u>\$ 7,080</u>                   | <u>\$ 21,193</u>                      |
|                               | <u>Royal Spring<br/>Middle</u>       | <u>Scott County<br/>Middle</u>            | <u>Scott County<br/>Ninth Grade</u> | <u>Scott County<br/>Preschool</u> | <u>Total</u>                          |
| Fund balance at July 1, 2014  | \$ 73,571                            | \$ 65,423                                 | \$ 10,107                           | \$ -                              | \$ 294,526                            |
| Add: receipts                 | 110,474                              | 74,656                                    | 4,405                               | 1                                 | 421,614                               |
| Less: disbursements           | <u>(118,079)</u>                     | <u>(74,525)</u>                           | <u>(9,597)</u>                      | <u>-</u>                          | <u>(465,463)</u>                      |
| Fund balance at June 30, 2015 | <u>\$ 65,966</u>                     | <u>\$ 65,554</u>                          | <u>\$ 4,915</u>                     | <u>\$ 1</u>                       | <u>\$ 250,677</u>                     |

**SCOTT COUNTY SCHOOL DISTRICT**

**Schedule of the District's Proportionate Share of the Net Pension Liability – KTRS**

Last 10 Fiscal Years\*

|   | 2014                  | 2013     | 2012     | 2011     | 2010     | 2009     | 2008     | 2007     | 2006     | 2005     |
|---|-----------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| District's proportion of the net pension liability  | 0%                    | *        | *        | *        | *        | *        | *        | *        | *        | *        |
| District's proportionate share of the net pension liability   | \$ -                  | *        | *        | *        | *        | *        | *        | *        | *        | *        |
| State's proportionate share of the net pension liability associated with the District                       | 225,099,715           | *        | *        | *        | *        | *        | *        | *        | *        | *        |
| <b>Total</b>  | <b>\$ 225,099,715</b> | <b>*</b> |
| District's covered-employee payroll   | *                     | *        | *        | *        | *        | *        | *        | *        | *        | *        |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 0%                    | *        | *        | *        | *        | *        | *        | *        | *        | *        |
| Plan fiduciary net position as a percentage of the total pension liability                                  | 45.59%                | *        | *        | *        | *        | *        | *        | *        | *        | *        |

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

*Changes of benefit terms:* None

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

**SCOTT COUNTY SCHOOL DISTRICT**

**Schedule of District Contributions – KTRS**

Last 10 Fiscal Years\*

|   | <u>2015</u>        | <u>2014</u>      | <u>2013</u>      | <u>2012</u>      | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|---|--------------------|------------------|------------------|------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Contractually required contribution                                     | \$ 1,131,841       | \$ 832,200       | \$ 720,013       | \$ 634,599       | *           | *           | *           | *           | *           | *           |
| Contributions in relation to the<br>contractually required contribution | <u>(1,131,841)</u> | <u>(832,200)</u> | <u>(720,013)</u> | <u>(634,599)</u> | <u>*</u>    | <u>*</u>    | <u>*</u>    | <u>*</u>    | <u>*</u>    | <u>*</u>    |
| Contribution deficiency   | <u>\$ -</u>        | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>*</u>    | <u>*</u>    | <u>*</u>    | <u>*</u>    | <u>*</u>    | <u>*</u>    |
| District's covered-employee payroll                                     | \$ 35,380,561      | *                | *                | *                | *           | *           | *           | *           | *           | *           |
| Contributions as a percentage of<br>of covered-employee payroll         | 3.20%              | *                | *                | *                | *           | *           | *           | *           | *           | *           |

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

**SCOTT COUNTY SCHOOL DISTRICT**

**Schedule of the District's Proportionate Share of the Net Pension Liability – CERS**

|   | Last 10 Fiscal Years* |      |      |      |      |      |      |      |      |      |
|---|-----------------------|------|------|------|------|------|------|------|------|------|
|   | 2014                  | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
| District's proportion of net pension liability  | 0.453576%             | *    | *    | *    | *    | *    | *    | *    | *    | *    |
| District's proportionate share of the net pension liability   | \$ 14,716,000         | *    | *    | *    | *    | *    | *    | *    | *    | *    |
| Total net pension liability   | \$ 3,244,377,000      | *    | *    | *    | *    | *    | *    | *    | *    | *    |
| District's covered-employee payroll   | *                     | *    | *    | *    | *    | *    | *    | *    | *    | *    |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | *                     | *    | *    | *    | *    | *    | *    | *    | *    | *    |
| Plan fiduciary net position as a percentage of the total pension liability                                  | 66.80%                | *    | *    | *    | *    | *    | *    | *    | *    | *    |

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

*Changes of benefit terms:* The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2009: A new benefit tier for members who first participate on or after September 1, 2008 was introduced which included the following changes:

1. Tired structure for benefit accrual rates
2. New retirement eligibility requirements
3. Different rules for the computation of final average compensation

2014: As cash balance plan was introduced for member whose participation date is on or after January 1, 2014.

*Changes of assumption:* The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2006: The assumptions were updated as the result of an experience study for the five year period ending June 30, 2005.

2007: Amortization bases have been combined and will be amortized over a single 30 year closed period beginning June 30, 2007.

2009: The assumptions were updated as the result of an experience study for the three year period ending June 30, 2008.

2013: The amortization period of the unfunded accrued liability was reset to a closed 30 years period.

**SCOTT COUNTY SCHOOL DISTRICT**  
**Schedule of District Contributions – CERS**

Last 10 Fiscal Years\*

|  | 2015               | 2014               | 2013               | 2012               | 2011     | 2010     | 2009     | 2008     | 2007     | 2006     |
|--|--------------------|--------------------|--------------------|--------------------|----------|----------|----------|----------|----------|----------|
| Contractually required contribution                                  | \$ 1,964,864       | \$ 2,002,656       | \$ 1,983,690       | \$ 1,965,501       | *        | *        | *        | *        | *        | *        |
| Contributions in relation to the contractually required contribution | <u>(1,964,864)</u> | <u>(2,002,656)</u> | <u>(1,983,690)</u> | <u>(1,965,501)</u> | <u>*</u> | <u>*</u> | <u>*</u> | <u>*</u> | <u>*</u> | <u>*</u> |
| Contribution deficiency  | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        | <u>*</u> | <u>*</u> | <u>*</u> | <u>*</u> | <u>*</u> | <u>*</u> |
| District's covered-employee payroll                                  | \$ 11,119,779      | *                  | *                  | *                  | *        | *        | *        | *        | *        | *        |
| Contributions as a percentage of covered-employee payroll            | 17.67%             | *                  | *                  | *                  | *        | *        | *        | *        | *        | *        |

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

**SCOTT COUNTY SCHOOL DISTRICT**

**Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2015**

| <b>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</b> | <b>Federal CFDA Number</b> | <b>Agreement Number</b> | <b>Federal Expenditures for FYE June 30, 2015</b> |
|---|----------------------------|-------------------------|---|
| <b><u>U.S. Department of Education</u></b>                            |                            |                         |   |
| <i>Passed through Kentucky Department of Education</i>                |                            |                         |   |
| Special Education Cluster   |                            |                         |   |
| Special Education Grants to States                                    | 84.027                     | 3373                    | \$ 4,397  |
| Special Education Grants to States                                    | 84.027                     | 3374                    | 1,434,223   |
| Special Education Grants to States                                    | 84.027                     | 3374P                   | 15,152  |
| Special Education Grants to States                                    | 84.027                     | 337A                    | 143,494   |
| Special Education Preschool Grants                                    | 84.173                     | 3434                    | 21,935  |
| Special Education Preschool Grants                                    | 84.173                     | 343A                    | 29,209  |
| Total Special Education Cluster                                       |                            |                         | <u>1,648,410</u>                                  |
| Title I Grants to Local Educational Agencies                          | 84.010                     | 3104                    | 333,159   |
| Title I Grants to Local Educational Agencies                          | 84.010                     | 3104M                   | 17,411  |
| Title I Grants to Local Educational Agencies                          | 84.010                     | 310A                    | 1,043,848   |
| Title I Grants to Local Educational Agencies                          | 84.010                     | 310AM                   | 12,673  |
| Title I Grants to Local Educational Agencies                          | 84.010                     | 320AE                   | 114,144   |
| Total CFDA #84.010  |                            |                         | <u>1,521,235</u>                                  |
| Migrant Education - State Grant Program                               | 84.011                     | 3114                    | 68,216  |
| Migrant Education - State Grant Program                               | 84.011                     | 311A                    | 87,778  |
| Total CFDA #84.011  |                            |                         | <u>155,994</u>                                    |
| English Language Acquisition State Grants                             | 84.365                     | 3453                    | 34,346  |
| English Language Acquisition State Grants                             | 84.365                     | 3454                    | 7,867   |
| Total CFDA #84.365  |                            |                         | <u>42,213</u>                                     |
| Title II Improving Teacher Quality State Grants                       | 84.367                     | 4014                    | 100,318   |
| Title II Improving Teacher Quality State Grants                       | 84.367                     | 401A                    | 155,864   |
| Total CFDA #84.367  |                            |                         | <u>256,182</u>                                    |
| Vocational Education - Basic Grants to States                         | 84.048                     | 3484                    | 2,251   |
| Vocational Education - Basic Grants to States                         | 84.048                     | 3484A                   | 3,012   |
| Vocational Education - Basic Grants to States                         | 84.048                     | 348A                    | 62,184  |
| Total CFDA #84.048  |                            |                         | <u>67,447</u>                                     |
| <b>Total U.S. Department of Education</b>                             |                            |                         | <u><u>3,691,481</u></u>                           |
| <b><u>U.S. Department of Defense</u></b>                              |                            |                         |   |
| National Guard Civilian Youth Opportunities                           | 12.404                     | DIRECT                  | 56,704  |
| <b>Total U.S. Department of Defense</b>                               |                            |                         | <u><u>56,704</u></u>                              |
| <b><u>U.S. Department of Agriculture</u></b>                          |                            |                         |   |
| Child Nutrition Cluster   |                            |                         |   |
| <i>Passed through Kentucky Department of Education</i>                |                            |                         |   |
| Child and Adult Care Food Program                                     | 10.558                     | 7790021-15              | 12,424  |
| Child and Adult Care Food Program                                     | 10.558                     | 7800016-15              | 1,032   |
| National School Lunch Program   | 10.555                     | 7750002-14              | 371,986   |
| National School Lunch Program   | 10.555                     | 7750002-15              | 1,300,101   |
| School Breakfast Program  | 10.553                     | 7760005-14              | 117,049   |
| School Breakfast Program  | 10.553                     | 7760005-15              | 406,295   |
| Summer Food Service Program for Children                              | 10.559                     | 7690024-14              | 634   |
| Summer Food Service Program for Children                              | 10.559                     | 7740023-14              | 6,100   |
| Summer Food Service Program for Children                              | 10.559                     | 7740023-15              | 17,186  |
| <i>Passed through Kentucky Department of Agriculture</i>              |                            |                         |   |
| National School Lunch Program - Food Donation                         | 10.555                     | 057502-02               | 258,532   |
| Total Child Nutrition Cluster   |                            |                         | <u>2,491,338</u>                                  |
| <b>Total U.S. Department of Agriculture</b>                           |                            |                         | <u><u>2,491,338</u></u>                           |
| <b>Total Expenditures of Federal Awards</b>                           |                            |                         | <u><u>\$ 6,239,523</u></u>                        |

**SCOTT COUNTY SCHOOL DISTRICT**

**Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2015**

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Scott County School District under programs of the federal government for the year ended June 30, 2015, and is reported 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*. Because the schedule presents only a selected portion of the operations of Scott County School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

**NOTE 2 - FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. For the year ended June 30, 2015, the District reported food commodities expended in the amount of \$258,532.



**INDEPENDENT AUDITORS' 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 Members of the Board of Education  
Scott County School District  
Georgetown, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Scott County School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Scott 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 Scott 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 Scott County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Scott 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 Scott 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 other matters that we reported to management of the District in a separate letter dated November 13, 2015.

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

(Continued)

**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.

*Barnes, Dennig & Co., Ltd.*

Crestview Hills, Kentucky  
November 13, 2015



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

Members of the Board of Education  
Scott County School District  
Georgetown, Kentucky

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

We have audited Scott 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 Scott County School District's major federal programs for the year ended June 30, 2015. Scott 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.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Scott 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*. 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 Scott 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 Scott County School District's compliance.

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

In our opinion, Scott 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 Scott 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 Scott 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

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### INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 (Continued)

expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express and opinion on the effectiveness of Scott 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.

*Barnes, Dennig & Co., Ltd.*

Crestview Hills, Kentucky  
November 13, 2015

SCOTT COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

SECTION I -SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes X None noted
Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes X None noted

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes X No

Identification of major programs

Table with 2 columns: CFDA No., Name of Federal Program or Cluster. Row 1: 10.553/10.555/10.558/10.559, Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? X Yes No

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters are reportable

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COST

No matters are reportable

**SCOTT COUNTY SCHOOL DISTRICT**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2015**

| <u>Reference Number</u> | <u>Summary of Findings</u> | <u>Status</u> |
|-------------------------|----------------------------|---------------|
|-------------------------|----------------------------|---------------|

No matters are reportable

## SCOTT COUNTY SCHOOL DISTRICT

### Management Letter Comments Year Ended June 30, 2015

In planning and performing our audit of the financial statements of Scott County School District for the year ended June 30, 2015, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

This letter summarizes our comments and suggestions regarding those matters. A separate report dated November 13, 2015 contains our report on significant deficiencies and material weaknesses in the District's internal control structure. This letter does not affect our report dated November 13, 2015, on the financial statements of the Scott County School District.

#### **CURRENT YEAR RECOMMENDATIONS**

##### **CENTRAL OFFICE**

No matters are reportable

##### **ACTIVITY FUNDS**

###### **Scott County High School**

###### **2015-01: A second signature was not included on the purchase re-authorization form.**

Criteria – Per best practices recommended by the Kentucky Department of Education for expenses greater than the pre-approved amount, a second signature from the principal or bookkeeper should be included on the purchase re-authorization form.

Condition – During the testing of the Activity Funds, it was noted a second signature was not included on the purchase re-authorization form for items costing more than the pre-approved amount.

Effect – Proper documentation of the approval process was not followed.

Cause – Internal controls were not properly followed as designed by the District.

Recommendation – We recommend that a second signature from the principal or bookkeeper is obtained on the purchase re-authorization form.

Board Response – The District uses a form to document approval of any expenditure that exceeds the original purchase by more than 10%. This form will be updated to require a signature from the principal or bookkeeper.

###### **2015-02: Coaches cards were purchased at the activity level.**

Criteria – Per best practices recommended by the Kentucky Department of Education, coaches cards are only to be purchased with school activity funds if they can document it was the most cost effective method.

Condition – During the testing of the Activity Funds, it was noted the coaches cards were purchased from the school activity fund. However, no documentation of it being cost effective was documented.

Effect – Proper documentation of the cost effectiveness of the purchase was not followed.

Cause – Internal controls were not properly followed as designed by the District.

Recommendation – We recommend that all documentation for the cost effectiveness of purchases is retained.

**SCOTT COUNTY SCHOOL DISTRICT**

**Management Letter Comments (Continued)  
Year Ended June 30, 2015**

**CURRENT YEAR RECOMMENDATIONS (CONTINUED)**

**2015-02 (Continued)**

Board Response – No coaches cards will be purchased with school activity funds during fiscal year 2015-2016.

**Scott County Ninth Grade School**

No matters are reportable

**Scott County Middle School**

**2015-03: The multiple receipt form is not being completed properly.**

Criteria – Per best practices recommended by the Kentucky Department of Education, students in the third grade and above should sign their own names on the multiple receipt form.

Condition – During the testing of the Activity Funds, it was noted the teacher was signing the multiple receipt form for all students, including students in the third grade and above.

Effect – Proper documentation of the receipt process was not followed.

Cause – Internal controls were not properly followed as designed by the District.

Recommendation – We recommend that all students in the third grade and above sign their own names on the multiple receipt form.

Board Response – The District will discuss and implement corrective action.

**Royal Spring Middle School**

No matters are reportable

**Georgetown Middle School**

**2015-04: The same individual is collecting monies and completing the inventory control sheet.**

Criteria – Per best practices recommended by the Kentucky Department of Education, the inventory control sheet should be completed by a separate individual than the one collecting the monies for inventory sales.

Condition – During the testing of the Activity Funds, it was noted the same individual is completing the inventory control sheet and collecting the monies.

Effect – Proper segregation of duties were not followed.

Cause – Internal controls were not properly followed as designed by the District.

Recommendation – We recommend that a separate individual completes the inventory control sheet than the individual collecting the monies.

Board Response – The District will discuss and implement corrective action.

SCOTT COUNTY SCHOOL DISTRICT

Management Letter Comments (Continued)  
Year Ended June 30, 2015

**CURRENT YEAR RECOMMENDATIONS (CONTINUED)**

**Elkhorn Crossing**

No matters are reportable

**Anne Mason Elementary**

No matters are reportable

**Eastern Elementary**

No matters are reportable

**Garth Elementary**

No matters are reportable

**Northern Elementary**

No matters are reportable

**Lemons Mill Elementary**

**2015-05: The standard invoice was not signed by the vendor.**

Criteria – Per best practices recommended by the Kentucky Department of Education, the standard invoice must have a confirmation signature of the person receiving the goods or services.

Condition – During the testing of the Activity Funds, it was noted the vendor did not sign the invoice.

Effect – Proper documentation of the expenditures process was not followed.

Cause – Internal controls were not properly followed as designed by the District.

Recommendation – We recommend that all standard invoices are signed by the person receiving the goods or services.

Board Response – The District will discuss and implement corrective action.

**Stamping Ground Elementary**

No matters are reportable

**Western Elementary**

No matters are reportable

**Southern Elementary**

No matters are reportable

**Scott County Preschool Center**

No matters are reportable

**SCOTT COUNTY SCHOOL DISTRICT**

**Management Letter Comments (Continued)  
Year Ended June 30, 2015**

**STATUS OF PRIOR YEAR RECOMMENDATIONS**

**CENTRAL OFFICE**

No matters are reportable

**ACTIVITY FUNDS**

**Scott County High School**

Statement of prior year deficiency: A purchase was made prior to the purchase order being approved.

Current year follow-up: See 2015-01 above.

Statement of prior year deficiency: The inventory control worksheet was not completed properly.

Current year follow-up: No such instances in current year.

Statement of prior year deficiency: There was unallowable mileage and expense reimbursements made from the school activity fund.

Current year follow-up: No such instances in current year.

Statement of prior year deficiency: There were coaches cards purchased for individuals who were not head or assistant coaches.

Current year follow-up: See 2015-02 above.

**Scott County Ninth Grade School**

No matters are reportable

**Scott County Middle School**

Statement of prior year deficiency: Negative balance was included in the Student Fee fund.

Current year follow-up: No such instances in current year.

Statement of prior year deficiency: The boosters did not have an EIN or General Liability Insurance on file.

Current year follow-up: No such instances in current year.

Statement of prior year deficiency: There was an unallowable purchase made from the school activity.

Current year follow-up: No such instances in current year.

**Royal Spring Middle School**

Statement of prior year deficiency: Deposits were not made timely.

Current year follow-up: No such instances in current year.

**SCOTT COUNTY SCHOOL DISTRICT**

**Management Letter Comments (Continued)  
Year Ended June 30, 2015**

**STATUS OF PRIOR YEAR RECOMMENDATIONS (CONTINUED)**

**Georgetown Middle School**

Statement of prior year deficiency: The inventory control worksheet was not completed properly.

Current year follow-up: See 2015-04 above.

**Elkhorn Crossing**

No matters are reportable

**Anne Mason Elementary**

Statement of prior year deficiency: There appeared to be several altered dates on the multiple receipt form in May 2014.

Current year follow-up: No such instances in current year.

Statement of prior year deficiency: There were two instances of unallowable purchases made from the school activity fund.

Current year follow-up: No such instances in current year.

Statement of prior year deficiency: The multiple receipt form did not contain student signatures.

Current year follow-up: No such instances in current year.

**Eastern Elementary**

No matters are reportable

**Garth Elementary**

Statement of prior year deficiency: Fundraiser coupon books and candy bars were sold prior to the date of approval.

Current year follow-up: No such instances in current year.

Statement of prior year deficiency: Deposits were not made timely.

Current year follow-up: No such instances in current year.

Statement of prior year deficiency: A purchase was made prior to the purchase order being approved.

Current year follow-up: No such instances in current year.

Statement of prior year deficiency: There was an unallowable purchase made from the school activity.

Current year follow-up: No such instances in current year.

**Northern Elementary**

No matters are reportable

**SCOTT COUNTY SCHOOL DISTRICT**

**Management Letter Comments (Continued)  
Year Ended June 30, 2015**

**STATUS OF PRIOR YEAR RECOMMENDATIONS (CONTINUED)**

**Lemons Mill Elementary**

Statement of prior year deficiency: There was an unallowable purchase made from the school activity fund.

Current year follow-up: No such instances in current year.

**Stamping Ground Elementary**

Statement of prior year deficiency: The inventory control worksheet was not completed properly.

Current year follow-up: No such instances in current year.

Statement of prior year deficiency: There was an unallowable purchase made from the school activity fund.

Current year follow-up: No such instances in current year.

**Western Elementary**

No matters are reportable

**Southern Elementary**

No matters are reportable

**Scott County Preschool Center**

No matters are reportable