

Financial Statements, Supplementary
Information and Reports Required
by the Single Audit Act

2015

Warren County School District

June 30, 2015



Strothman+Co

**WARREN COUNTY SCHOOL DISTRICT
FINANCIAL STATEMENTS
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Independent Auditors' Report



Members of the Board
Warren County School District
Bowling Green, 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 Warren County School District (the "District") as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the accompanying 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; and the *Kentucky Public School Districts' Audit Contract and Requirements* prescribed by the Kentucky State Committee for School District Audits. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Emphasis of a Matter – Implementation of New GASB Accounting Standard

As discussed in Note R to the financial statements effective July 1, 2014, the District adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (Unaudited) on pages 4 through 11, the budgetary comparison information on pages 50 through 51 and the pension liability and contributions information on pages 52 through 55 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 inquires 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 to provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for the purpose 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 other supplementary information and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Louisville, Kentucky
March 11, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

**WARREN COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015**

The discussion and analysis of Warren County Board of Education's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ending June 30, 2015. The intent of this discussion and analysis is to review the District's financial performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the District's financial performance.

The Management's Discussion and Analysis ("MD&A") is an element of the reporting model adopted by the Governmental Accounting Standards Board ("GASB") in their Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Government* issued in June 1999.

Financial Highlights

- In total, net position decreased by \$14,114,438. The Net Position of governmental activities decreased by \$11,050,886, while the net position of business-type activity decreased by \$3,063,552. While total assets increased by \$19,839,079 due primarily to an increase in cash on hand attributable to an increase of cash in the Capital Projects Fund (i.e., bond sell) and the General Fund. However, total liabilities increased significantly as a result of accounts payable within the Capital Projects Fund and the issuance of bonds to fund the Warren Central High School and Warren East High School renovations.
- General revenues accounted for \$100,914,135 or 75% of all governmental revenues. Program specific revenues in the form of operating grants and contributions accounted for \$33,206,684 or 25% of total governmental revenues of \$134,120,819.
- Governmental Activities: Total assets increased by \$19,782,279. "Capital Assets" increased by \$2,425,659. This is a result of renovations, equipment, technology and adjustments to Construction Work in Progress along with depreciation thereto. "Current and Other Assets" increased by \$17,356,620 in 2015. The increase correlates to cash as a result of the property tax rate increase, capital outlay transfer and bond sell for the Warren Central High School and Warren East High School renovation projects.
- The District had \$124,366,737 in expenses relating to governmental activities; of which \$33,280,954, in expenses, were offset by program specific charges for services, grants, and contributions. General revenues (primarily local taxes and the State SEEK allocation), were adequate to provide these programs.

Using this Annual Financial Report (AFR)

This annual report consists of three parts – *management's discussion and analysis* (this part), *the basic financial statements*, and *the required supplementary information*. These statements are organized in a manner so that the reader can understand the District as a financial whole. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The **Statement of Net Position and Statement of Activities** provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's major funds with all other non-major funds presented in total in one column. The major funds for the District are the general fund, special revenue fund, and the capital projects fund.

**WARREN COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015**

Reporting on the District as a Whole

One of the most important questions to ask is "how did the District perform financially during fiscal year 2015?" The **Statement of Net Position** and the **Statement of Activities**, which appear first in the District's financial statements, report information on the District as a whole and is formatted in such a way that will assist a reader in answering this question. These statements include all assets and liabilities using the accrual basis of accounting and economic resources measurement focus, which is similar to the accounting used by most private-sector companies.

These two statements report the District's net position and the changes therein. This change in net position is important because it tells the reader whether, for the District as a whole, the financial position of the District has improved or diminished. However, the District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the District's property tax base, current property tax laws in Kentucky restricting revenue growth (*4% maximum growth in revenue*), required educational programs and other factors.

In the **Statement of Net Position** and the **Statements of Activities**, the District is divided into two distinct categories:

- **Government Activities** - Most of the District's basic services are included here, such as instructional services (as it relates to elementary, middle and high school educational programs), support services (guidance, attendance, health services, special needs services, etc.), debt service payments, extracurricular activities (sports, band, etc.), operation and maintenance of plant, pupil transportation and other activities.
- **Business-type Activities** - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods provided. The District's business-type activities are the food service and day care operations.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major funds begins on page 14. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's major funds.

Governmental Funds - Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending in future periods. These funds are reported using the accrual method of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the financial statements.

Proprietary Funds - Proprietary funds use the same basis of accounting as business-type activities; therefore, the statements for the proprietary fund will essentially match.

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

**WARREN COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015**

(Table 1)
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets						
Current and Other Assets	\$ 35,894,845	\$ 18,538,225	\$ 3,530,022	\$ 2,883,181	\$ 39,424,867	\$ 21,421,406
Capital Assets	224,513,445	222,087,786	12,923,362	13,513,403	237,436,807	235,601,189
Total Assets	<u>260,408,290</u>	<u>240,626,011</u>	<u>16,453,384</u>	<u>16,396,584</u>	<u>276,861,674</u>	<u>257,022,595</u>
Deferred Outflows of Resources	3,184,902	760,464	409,360		3,594,262	760,464
Liabilities						
Long-Term Liabilities	134,105,148	124,332,206	3,210,900	34,154	137,316,048	124,366,360
Other Liabilities	33,919,359	12,465,348	89,300	94,684	34,008,659	12,560,032
Total Liabilities	<u>168,024,507</u>	<u>136,797,554</u>	<u>3,300,200</u>	<u>128,838</u>	<u>171,324,707</u>	<u>136,926,392</u>
Deferred Inflows of Resources	2,030,650		358,350		2,389,000	
Net Position						
Invested in Capital Assets, Net of Debt	85,948,527	94,169,956	12,923,362	13,513,403	98,871,889	107,683,359
Restricted	16,154,880	2,141,479	280,832	2,754,343	16,435,712	4,895,822
Unrestricted	(8,565,372)	8,277,486			(8,565,372)	8,277,486
Total Net Position	<u>\$ 93,538,035</u>	<u>\$ 104,588,921</u>	<u>\$ 13,204,194</u>	<u>\$ 16,267,746</u>	<u>\$ 106,742,229</u>	<u>\$ 120,856,667</u>

**WARREN COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015**

(Table 2)
Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Program Revenues:						
Charges for Services	\$ 74,270	\$ 133,325	\$ 2,460,356	\$ 2,618,691	\$ 2,534,626	\$ 2,752,016
Operating Grants/Contribution	33,206,684	31,588,785	6,541,578	6,373,107	39,748,262	37,961,892
Capital Grants/Contributions						
General Revenues:						
Taxes	48,104,329	45,909,126			48,104,329	45,909,126
State Aid-Formula Grants	50,648,681	47,457,722	83,990	82,076	50,732,671	47,539,798
Investment Earnings	88,282	120,772	10,483	8,983	98,765	129,755
Miscellaneous	1,998,573	971,957			1,998,573	971,957
Capital Contributions - District Support						
Transfer from Proprietary Funds	211,778	410,921			211,778	410,921
State On-Behalf Payments						
Total Revenue and Transfers	134,332,597	126,592,608	9,096,407	9,082,857	143,429,004	135,675,465
Program Expenses						
Instruction	78,188,237	77,723,434			78,188,237	77,723,434
Support Services:						
Student	6,898,407	5,589,975			6,898,407	5,589,975
Instructional Staff	2,993,015	2,498,328			2,993,015	2,498,328
District Administration	2,036,671	1,858,592			2,036,671	1,858,592
School Administration	6,415,744	5,698,718			6,415,744	5,698,718
Business	2,811,198	2,383,359			2,811,198	2,383,359
Plant Operations/Maintenance	11,130,720	11,250,859			11,130,720	11,250,859
Student Transportation	7,455,360	8,331,717			7,455,360	8,331,717
Central Office						
Community Services	883,084	1,065,442			883,084	1,065,442
Other	759,818				759,818	-
Day Care			146,978	135,912	146,978	135,912
Interest on Long-Term Debt	4,794,483	5,287,873			4,794,483	5,287,873
Facilities Acquisition &	-	18,633			-	18,633
Bond Issuance Costs	-	632,196			-	632,196
Food Service			8,808,727	8,656,896	8,808,727	8,656,896
Loss on Sale/Disposal of Assets		34,479			-	34,479
Total Expenses and Transfers	124,366,737	122,373,605	8,955,705	8,792,808	133,322,442	131,166,413
Increase (Decrease) in Net Position	\$ 9,965,860	\$ 4,219,003	140,702	\$ 290,049	\$ 10,106,562	4,509,052

**WARREN COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015**

Governmental Activities

Governmental program expenses are broken down as follows: Instruction 63%, Support Services 33%, and 4% Other.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting the program service costs. Table 3 shows, for government activities, the total cost of services and the net cost of services. In other words, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. The total cost of services includes \$22,342,489 that relates to the 2015 State On-Behalf Payments.

**(Table 3)
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2015	2014	2015	2014
Instruction	\$ 78,188,237	\$ 77,723,434	\$ 52,969,494	\$ 55,502,574
Support Services	40,624,199	38,676,990	33,452,190	29,275,476
Other	759,818		759,818	(22,596)
Facilities Acquisition/Construction		18,633		(316,995)
P&I on Long-Term Debt	4,794,483	5,287,873	3,904,281	5,008,420
Bond Issuance Costs		632,196		143,954
Loss on Sale/Disposal of Assets		34,479		94,706
Total Expenses	\$ 124,366,737	\$ 122,373,605	\$ 91,085,783	\$ 89,685,539

Business-Type Activities

The business-type activities are food service and day care. These programs had revenues of \$9,096,407 and expenses of \$8,955,705 for fiscal year 2015. Of the revenues, \$2,460,356 related to charges for services, \$6,541,578 was from State and Federal grants, \$10,483 were from investment earnings, and there were no capital contributions by the District. Business activities receive no support from tax revenues. The District will continue to monitor the charges and costs of these activities. If it becomes necessary, the District will increase the charges for these activities.

The District's Funds

Information about the District's major funds starts on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$171,328,634 and expenditures and other financing uses of \$156,446,395. The net change in total fund balances was \$14,114,438 from fiscal year 2014 to 2015. This is predominately a result of the issuance of bonds for the Warren Central and Warren East High School renovation projects.

General Fund-Budget Highlights

The District's budget is prepared according to Kentucky law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. The State Department of Education requires a zero-based budget with any budgeted remaining fund balance shown as a contingency expense in the budget process.

A variance comparison is presented between the final budgeted amounts and the actual (GAAP Basis) amounts. Revenues for the General Fund were budgeted at \$101,055,760 with actual amounts totaling \$106,226,688. Budgeted expenditures were \$103,485,558 (not including a contingency budget of \$10,070,672) compared to actual expenditures of \$102,864,064. Budgeted "Other Financing Sources and Uses" reflected a net financing source of \$223,854 compared to an actual net financing source of \$2,053,782. In total, an expected decrease in the General Fund balance of \$2,205,944 was budgeted compared to an actual net increase of \$5,416,405.

**WARREN COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015**

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2015 the District had \$237,436,807 invested in capital assets (see Table 4 below), \$224,513,445 being in governmental activities. Table 4 shows fiscal year 2015 balances compared to 2014.

(Table 4)
Capital Assets at June 30 (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 8,495,692	\$ 8,858,365			\$ 8,495,692	\$ 8,858,365
Land Improvements	12,452,552	12,827,873			12,452,552	12,827,873
Buildings and Improvements	180,686,691	185,676,501	\$ 11,288,901	\$ 11,598,662	191,975,592	197,275,163
Technology	2,272,649	3,001,164	22,141	29,842	2,294,790	3,031,006
Vehicles	3,730,104	4,858,108			3,730,104	4,858,108
Equipment	5,909,110	6,164,254	1,612,320	1,884,899	7,521,430	8,049,153
Construction in Progress	10,966,647	701,521			10,966,647	701,521
Total	\$ 224,513,445	\$ 222,087,786	\$ 12,923,362	\$ 13,513,403	\$ 237,436,807	\$ 235,601,189

Debt

At June 30, 2015 the District had \$138,564,918 in bonds outstanding, of this amount \$4,735,108 are to be paid from the KSFCC funding provided by the State of Kentucky. A total of \$9,423,000 is due within one year. At June 30, 2014, the District had \$127,917,830 in bonds outstanding, of this amount \$4,697,771 were to be paid from KSFCC funding.

The net change during 2015 fiscal year was primarily due to the structured principal payments.

District Challenges for the Future

The Warren County Public School system (District) is the fourth largest district within the State serving approximately 15,000 students. The District has grown from a K-12 student membership of 10,923 in 2003 to 14,858 in 2015. This equates to a 36.02% growth in only twelve years. The District has prepared for this increase in enrollment by building new schools and by renovating and expanding existing schools. The District remains in good financial condition, however, there are challenges that the District will encounter: increase the level of achievement of our students, Senate Bill 1, English Learner (EL) population, and adequate funding.

The most essential challenge is to continue to increase student achievement. On the most recent release of test scores, Warren County Schools had ten distinguished schools and four proficient schools. Achievement Gaps continue to exist in many of our schools, but these challenges and opportunities keep us focused on providing a differentiated approach to teaching that serves the individual needs of our students. Prioritizing standards in reading, math and science; providing academic-rich learning environments for our English Learner's and students with disabilities; differentiating instruction for all students; providing good customer service to improve our school climates; analyzing student data using various data points; utilizing interactive, 21st Century technology in our classrooms, and engaging students in learning that is rigorous and relevant to life are all efforts that we have in place to increase student achievement.

**WARREN COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015**

It is important for every educator in the District to feel that the students we serve can learn at a high level according to their ability. Teachers must strive to recognize the impact they have on each student that enters their classroom. With the resources available to all educators in Warren County, the ability to meet the needs of all students is not impossible. Providing teachers with up-dated curriculum maps, content guides, and prioritized standards is a process that is revisited routinely throughout our District. We have no choice but to move the students to a higher level in order to ensure their ability to function and thrive in a global, 21st Century marketplace. What the information does not tell us is the level of motivation for learning. It will also not inform us as to the amount of parental/family involvement in the educational process. We will also be unable to discern what happens in the life of a student outside the walls of our educational institutions. This information can be very helpful in serving needs that can affect learning. The WCPS system encourages the building of relationships by all to help remove as many barriers to learning as we possibly can. By providing a team approach to educating our students, we are able to help the students be prepared and willing to learn in our classrooms.

The next challenge relates to the mandates prescribed in Senate Bill 1 otherwise known as Unbridled Learning. The Bill is intended to ensure every student reaches his/her learning potential and graduates from high school college and/or career ready. The mandates of Unbridled Learning continue to increase putting additional stress and responsibilities on teachers and administrators working to guarantee that students continue on their path to becoming college and/or career ready.

This year our biggest challenge with Senate Bill 1 continues to be the implementation of the Teacher and Principal Professional Growth and Effectiveness System. This system is designed to measure teacher and principal effectiveness and serve as a catalyst for professional growth and continuous improvement. Implementation of this system has required many additional hours of training and observations and the development of a newly revised district certified evaluation plan.

The population of students identified as English Learners (ELs) in the District has grown approximately 153% since 2005, with ELs numbering 632 in 04-05 academic year and just over 1600 at the present time. The EL student population currently represents 11% of the overall student population in the District. These students are eligible for English language development programs (also known as EL or ESL programs) offered by the District. We are also required to monitor students who exit from English language development programs for two full academic years, and there are currently 446 students who fall within this category. Finally, there are approximately 130 students in the District who were formerly served in English language development programs and are now fully exited. These students also need continuing support to ensure that they become "college and career ready" and successfully transition after graduation. When we consider the EL students who are currently eligible for English language development programs, those who have just exited and are being monitored and those who are completely out of English language development programs, there are just over 2100 students being supported in one way or another by District administrators and teachers, 14% of our total enrollment.

The EL students in the District are a very diverse group, as they come from 30+ countries and speak 50 languages and dialects. Approximately 40% of our current ELs are refugees, and many are considered "students with interrupted formal education" (SIFEs), because conditions in their former countries and refugee camps made it difficult to provide consistent educational opportunities.

The EL students in the District face very significant language and content challenges. ELs in the U.S. are often doing double the work of their English speaking class peers, because ELs are learning content at the same time they are learning the language of instruction. Our administrators and teachers also face many challenge, one of which being the requirement to meet federal and state accountability targets established under the No Child Left Behind (NCLB) Act. The District has responded to these challenges in several ways, including dramatically increasing the numbers of certified teachers with an English as a Second Language (ESL) endorsement.

**WARREN COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015**

Investments in staffing allow the District to leverage the training and experiences of these staff as we rise to meet the language and academic content challenges of a large EL student population. However, maintaining and recruiting qualified, well-trained staff remains a challenge. Meeting the language and content needs of EL students is also the responsibility of general education teachers, yet these individuals are generally not well prepared in pre-service programs to address these challenges. Thus, professional development becomes critical to providing teachers with the knowledge and skills required. In fact, ensuring that on-going professional development opportunities and appropriate instructional resources are being provided is absolutely critical to meeting the challenges expressed above. While the size of the District and the EL student population create some funding streams, we continually face financial challenges in a climate of budgetary constraints and reduced federal and state support.

The final challenge as it relates to funding: Local, State and Federal. The District's predominate local revenue source is the real estate tax rate. In 2015, the District's real estate tax rate ranked as the 153rd lowest in the State. The Kentucky revised statute caps the amount of new revenue generated from real estate tax increases 4% a year. The failure of the legislature to adequately fund education has resulted in the Warren County School District and districts across the Commonwealth to make significant cuts to their budgets and to personnel, compelling school boards to increase property taxes in order that districts might continue to operate and serve the students, who are the future of the Commonwealth. Fortunately, the Warren County has experienced positive annual growth in property assessment and thereby property tax revenue. However, the SEEK formula has a negative effect on districts that incur significant growth in assessment.

With careful planning, gains in efficiencies and monitoring of District finances, Warren County Public Schools' goal is to continue to provide a quality education for our students and a secure financial future for the District.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information contact Chris McIntyre, Treasurer at Warren County Board of Education, 303 Lovers Lane, P.O. Box 51810, Bowling Green, KY 42102-6810 or email at chris.mcintyre@warren.kyschools.us

DISTRICT-WIDE FINANCIAL STATEMENTS

WARREN COUNTY SCHOOL DISTRICT
DISTRICT-WIDE STATEMENT OF NET POSITION
June 30, 2015

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 32,545,174	\$ 3,085,038	\$ 35,630,212
Accounts and Grants Receivable from Outside Sources, net			
Taxes	1,048,859		1,048,859
Other	920,557	88,494	1,009,051
Grants	1,007,866		1,007,866
Due from Other Funds		208,502	208,502
Inventory	262,359	147,988	410,347
Prepaid Expenses	110,030		110,030
Nondepreciated Capital Assets	19,462,339		19,462,339
Depreciable Capital Assets	303,109,043	19,673,784	322,782,827
Less: Accumulated Depreciation	(98,057,937)	(6,750,422)	(104,808,359)
Total Assets	260,408,290	16,453,384	276,861,674
Deferred Outflows of Resources			
Deferred pension contribution after measurement date	2,340,197	409,360	2,749,557
Deferred savings from refunding bonds	1,762,620		1,762,620
Less: Accumulated Amortization	(917,915)		(917,915)
Total Deferred Outflows of Resources	3,184,902	409,360	3,594,262
Liabilities			
Accounts Payable	2,570,020	19,238	2,589,258
Accrued Liabilities	1,199,092		1,199,092
Due to Other Funds	208,502		208,502
Unearned Grant Revenue	846,769	70,062	916,831
Accrued Interest	919,615		919,615
Long-Term Obligations			
Due Within One Year			
Bond Obligations	9,423,000		9,423,000
Compensated Absences	557,261		557,261
Due Beyond One Year			
Bond Obligations	129,141,918		129,141,918
Compensated Absences	4,963,230		4,963,230
Net pension liability	18,195,100	3,210,900	21,406,000
Total Liabilities	168,024,507	3,300,200	171,324,707
Deferred Inflows of Resources			
Differences between projected and actual earnings on plan investments	2,030,650	358,350	2,389,000
Net Position			
Net investment in Capital Assets	85,948,527	12,923,362	98,871,889
Restricted for			
Capital Projects	14,207,297		14,207,297
Purchase Obligations	453,181		453,181
SBDM	494,550		494,550
Technology Purposes	719,609		719,609
Debt service	280,243		280,243
Unrestricted (Deficit)	(8,565,372)	280,832	(8,284,540)
Net Position	\$ 93,538,035	\$ 13,204,194	\$ 106,742,229

See Accompanying Notes to Financial Statements

WARREN COUNTY SCHOOL DISTRICT
DISTRICT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

	Program Revenues			Net (Expense) Revenue		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs						
Governmental Activities						
Instruction	\$ 78,188,237	\$ 52,850	\$ 25,165,893	\$ (52,969,494)		\$ (52,969,494)
Support Services						
Student	6,898,407		1,748,534	(5,149,873)		(5,149,873)
Instructional Staff	2,993,015		796,780	(2,196,235)		(2,196,235)
District Administration	2,036,671		90,866	(1,945,805)		(1,945,805)
School Administration	6,415,744		1,583,634	(4,832,110)		(4,832,110)
Business	2,811,198		573,834	(2,237,364)		(2,237,364)
Plant Operations & Maintenance	11,130,720	21,420	433,237	(10,676,063)		(10,676,063)
Student Transportation	7,455,360		887,624	(6,567,736)		(6,567,736)
Community Services	883,084		1,036,080	152,996		152,996
Other	759,818			(759,818)		(759,818)
Interest on Long-term Debt	4,794,483		890,202	(3,904,281)		(3,904,281)
Total Governmental Activities	<u>124,366,737</u>	<u>74,270</u>	<u>33,206,684</u>	<u>(91,085,783)</u>		<u>(91,085,783)</u>
Business-type Activities						
Food Services	8,808,727	2,337,695	6,314,589		\$ (156,443)	(156,443)
Day Care	146,978	122,661	226,989		202,672	202,672
Total Business-type Activities	<u>8,955,705</u>	<u>2,460,356</u>	<u>6,541,578</u>		<u>46,229</u>	<u>46,229</u>
Total School District	<u>\$ 133,322,442</u>	<u>\$ 2,534,626</u>	<u>\$ 39,748,262</u>	<u>(91,085,783)</u>	<u>46,229</u>	<u>(91,039,554)</u>

Continued

WARREN COUNTY SCHOOL DISTRICT
DISTRICT-WIDE STATEMENT OF ACTIVITIES - Continued
For the Year Ended June 30, 2015

	Program Revenues		Net (Expense) Revenue			
	Expenses	Charges for Services	Program-Specific Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
General Revenues						
Taxes				29,086,716		29,086,716
Property				3,250,646		3,250,646
Motor Vehicle				6,208,666		6,208,666
Utilities				8,647,058		8,647,058
Occupational				911,243		911,243
Other				50,648,681	83,990	50,732,671
State Aid				88,282	10,483	98,765
Investment Earnings				1,998,573		1,998,573
Other				100,839,865	94,473	100,934,338
Total General Revenues						
Transfers						
From Proprietary Funds				211,778		211,778
Total General Revenues and Transfers				101,051,643	94,473	101,146,116
Change in Net Position				9,965,860	140,702	10,106,562
Net Position - Beginning of Year, Restated				83,572,175	13,063,492	96,635,667
Net Position - End of Year				<u>\$ 93,538,035</u>	<u>\$ 13,204,194</u>	<u>\$ 106,742,229</u>

See Accompanying Notes to Financial Statements

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

WARREN COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	Major Funds				Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Project Funds	Debt Service Fund	
Assets					
Cash and Cash Equivalents	\$ 19,209,915	\$ 969,289	\$ 11,566,486	\$ 92,797	\$ 32,545,174
Accounts and Grants Receivable from Outside Sources, net					
Taxes	1,048,859				1,048,859
Other	732,180			187,446	920,557
Grants		1,007,866			1,007,866
Inventory	262,359				262,359
Prepaid Expenses	110,030				110,030
Total Assets	<u>\$ 21,363,343</u>	<u>\$ 1,977,155</u>	<u>\$ 11,566,486</u>	<u>\$ 280,243</u>	<u>\$ 35,894,845</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$ 565,396	\$ 46,895	\$ 1,957,111		\$ 2,570,020
Accrued Liabilities	1,233,642				1,233,642
Due to Other Funds	208,502				208,502
Unearned Grant Revenue	846,769				846,769
Total Liabilities	<u>2,007,540</u>	<u>893,664</u>	<u>1,957,111</u>	<u>618</u>	<u>4,858,933</u>
Fund Balances					
Nondisposable	372,389				372,389
Inventories and Prepaid Expenses					
Permanent Fund Principal				282,256	282,256
Restricted					
Capital Projects			9,520,076		9,520,076
Technology Purposes		719,609			719,609
Purchase Obligations		363,882	89,299		453,181
Debt Service				280,243	280,243
Committed					
Capital Projects	4,687,221				4,687,221
SBDM Carryforward	494,550				494,550
Sick Leave Payable	522,710				522,710
Assigned	989,790			15,189	1,004,979
Encumbrances	12,289,143			409,555	12,698,698
Unassigned	19,355,803	1,083,491	9,609,375	280,243	31,035,912
Total Fund Balances	<u>19,355,803</u>	<u>1,083,491</u>	<u>9,609,375</u>	<u>280,243</u>	<u>31,035,912</u>
Total Liabilities and Fund Balances	<u>\$ 21,363,343</u>	<u>\$ 1,977,155</u>	<u>\$ 11,566,486</u>	<u>\$ 280,243</u>	<u>\$ 35,894,845</u>

See Accompanying Notes to Financial Statements

**WARREN COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015**

	Major Funds					Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Project Funds	Debt Service Fund	Nonmajor Funds Governmental Funds	
Revenues						
From Local Sources						
Taxes						
Property	\$ 17,879,766		\$ 11,206,950			\$ 29,086,716
Motor Vehicle	3,250,646					3,250,646
Utilities	6,208,666					6,208,666
Occupational License	8,647,058					8,647,058
Other	911,243					911,243
Tuition and Fees	52,850					52,850
Earnings on Investments	78,620	\$ 3,438	14,357		\$ 9,662	106,077
Other Local Revenues	607,052	190,525			737,996	797,577
Intermediate Sources						737,996
Intergovernmental - State	68,226,757	4,182,609	3,720,678	\$ 503,137		76,633,181
Intergovernmental - Federal	364,030	6,641,156		372,708		7,377,894
Total Revenues	106,226,688	11,017,728	14,941,985	875,845	747,658	133,809,904
Expenditures						
Instruction	62,754,054	9,676,851			255,670	72,686,575
Support Services						
Student	6,990,542	87,482				7,078,024
Instructional Staff	2,981,767	115,974			34,066	3,131,807
District Administration	2,062,629					2,062,629
School Administration	6,676,356					6,676,356
Business	2,903,184	60,094			4,632	2,967,910
Plant Operations and Maintenance	11,242,974	31,690				11,274,664
Student Transportation	7,252,559	111,832			24,174	7,388,565
Community Services		1,036,080				1,036,080
Principal						8,536,000
Interest and Other Charges						4,808,883
Bond Issuance Cost			426,393			4,808,883
						823,539

Continued

WARREN COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

	Major Funds				Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Project Funds	Debt Service Fund	
Facilities Acquisition and Construction	102,864,065	11,120,003	9,838,732	13,742,029	138,309,764
Total Expenditures					
	3,362,623	(102,275)	4,676,860	(12,866,184)	(4,499,860)
Revenues in Excess of (Less Than) Expenditures				429,116	
Other Financing Sources (Uses)					
Proceeds from Issuance of Bonds			18,465,000	18,470,000	36,935,000
Refunded School Building Revenue Bonds				(11,940,000)	(11,940,000)
Expenditure Reimbursement				89,719	89,719
Premium on Bonds Sold			47,809	221,492	269,301
Payments to Bond Escrow Agent				(6,196,631)	(6,196,631)
Proceeds from Sale of Equipment	12,932				12,932
Propriety Fund Transfers	211,778				211,778
Transfers In	2,371,509	309,535	849,400	11,968,106	15,498,550
Transfers Out	(542,437)	(109,223)	(14,835,004)		(15,498,550)
Total Other Financing Sources (Uses)	2,053,782	200,312	4,527,205	12,612,686	19,382,099
				(11,886)	
				(11,886)	
Net Change in Fund Balances	5,416,405	98,037	9,204,065	(253,498)	14,882,239
Fund Balances - July 1, 2014	13,939,398	985,454	405,310	533,741	16,153,673
Fund Balances - June 30, 2015	\$ 19,355,803	\$ 1,083,491	\$ 9,609,375	\$ 280,243	\$ 31,035,912

See Accompanying Notes to Financial Statements

PROPRIETARY FUNDS FINANCIAL STATEMENTS

WARREN COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2015

	Enterprise Funds		
	Food Services	Day Care	Total
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 3,070,523	\$ 14,515	\$ 3,085,038
Accounts and Grants Receivable	88,494		88,494
Due from Other Funds		208,502	208,502
Inventories for Consumption	147,988		147,988
Total Current Assets	3,307,005	223,017	3,530,022
Non-Current Assets			
Capital Assets - Net of Accumulated Depreciation	12,923,362		12,923,362
Deferred Outflows of Resources			
Deferred pension contribution after measurement date	394,427	14,933	409,360
Total Assets and Deferred Outflows of Resources	\$ 16,624,794	\$ 237,950	\$ 16,862,744
Liabilities and Net Position			
Current Liabilities			
Accounts Payable	\$ 19,238		\$ 19,238
Unearned Revenue	70,062		70,062
Net Pension Liability	2,996,840	\$ 214,060	3,210,900
Total Current Liabilities	3,086,140	214,060	3,300,200
Deferred Inflows of Resources			
Differences between projected and actual earnings on plan investments	334,460	23,890	358,350
Net Position			
Net Investment in Capital Assets	12,923,362		12,923,362
Unrestricted	280,832		280,832
Total Net Position	13,204,194		13,204,194
Total Liabilities and Net Position	\$ 16,624,794	\$ 237,950	\$ 16,862,744

See Accompanying Notes to Financial Statements

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

	Enterprise Funds		
	Food Services	Day Care	Total
Operating Revenues			
Lunchroom Sales	\$ 2,328,861		\$ 2,328,861
Tuition and Fees		\$ 122,661	122,661
Other Operating Revenue	8,834		8,834
Total Operating Revenues	<u>2,337,695</u>	<u>122,661</u>	<u>2,460,356</u>
Operating Expenses			
Salaries and Wages	3,635,488	135,266	3,770,754
Contract Services	300,760		300,760
Materials and Supplies	4,267,813	10,856	4,278,669
Other Operating Expenses	7,653	619	8,272
Depreciation Expense	588,028	237	588,265
Total Operating Expenses	<u>8,799,742</u>	<u>146,978</u>	<u>8,946,720</u>
Operating Loss	<u>(6,462,047)</u>	<u>(24,317)</u>	<u>(6,486,364)</u>
Non-Operating Revenues (Expenses)			
Federal Grants	5,751,342		5,751,342
State Grants	606,101	18,487	624,588
Donated Commodities	461,416		461,416
Interest Revenue	10,483		10,483
Loss on Disposal of Assets	(8,985)		(8,985)
Governmental Funds Transfers	(420,280)	208,502	(211,778)
Total Non-Operating Revenues (Expenses)	<u>6,400,077</u>	<u>226,989</u>	<u>6,627,066</u>
Change in Net Position	(61,970)	202,672	140,702
Total Net Position - July 1, 2014, Restated	<u>13,266,164</u>	<u>(202,672)</u>	<u>13,063,492</u>
Total Net Position - June 30, 2015	<u>\$ 13,204,194</u>	<u>\$</u>	<u>\$ 13,204,194</u>

See Accompanying Notes to Financial Statements

**WARREN COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2015**

	Enterprise Funds		
	Food Services	Day Care	Total
Cash Flows from Operating Activities			
Cash Received from User Charges	\$ 2,412,095	\$ 122,661	\$ 2,534,756
Cash Received from Other Operating Revenues	8,834		8,834
Cash Payments to Employees for Services	(3,224,065)	(107,379)	(3,331,444)
Cash Payments for Contract Services	(300,760)		(300,760)
Cash Payments to Suppliers for Goods and Services	(3,767,765)	(10,856)	(3,778,621)
Cash Payments for Other Operating Expenses	(7,653)	(209,121)	(216,774)
Net Cash Used in Operating Activities	(4,879,314)	(204,695)	(5,084,009)
Cash Flows from Noncapital Financing Activities			
Grants Received	5,835,332		5,835,332
Cash Flows from Capital and Related Financing Activities			
Acquisition of Capital Assets	(7,209)		(7,209)
Transfers from Governmental Funds	(420,280)	208,502	(211,778)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(427,489)	208,502	(218,987)
Cash Flows from Investing Activities			
Interest on Investments	10,483		10,483
Net Increase in Cash and Cash Equivalents	539,012	3,807	542,819
Cash and Cash Equivalents - July 1, 2014	2,531,511	10,708	2,542,219
Cash and Cash Equivalents - June 30, 2015	\$ 3,070,523	\$ 14,515	\$ 3,085,038
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities			
Operating Loss	\$ (6,462,047)	\$ (24,317)	\$ (6,486,364)
Adjustments to Reconcile Operating Loss to Net Cash Provided by (Used in) Operating Activities:			
Depreciation	588,028	237	588,265
Commodities Used	461,416		461,416
On-Behalf Payments Received	522,111	18,487	540,598
Changes in Assets and Liabilities:			
Receivables	74,892	(208,502)	(133,610)
Inventories	29,588		29,588
Deferred Outflow	(394,427)	(14,933)	(409,360)
Accounts Payable	9,044		9,044
Unearned Revenue	8,342		8,342
Net Pension Liability	6,203	443	6,646
Accrued benefits	(56,924)		(56,924)
Deferred Inflow	334,460	23,890	358,350
Net Cash Used In Operating Activities	\$ (4,879,314)	\$ (204,695)	\$ (5,084,009)

Noncash Activities:

The Food Service Fund received \$461,416 of donated commodities from the federal government.

The Proprietary Funds recognized revenues and expenses for on-behalf payments relating to fringe benefits in the amount of \$520,386 provided by state government.

See Accompanying Notes to Financial Statements

FIDUCIARY FUNDS FINANCIAL STATEMENTS

**WARREN COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2015**

	Private Purpose Trust Fund	Agency Funds
Assets		
Cash and Cash Equivalents	\$ 7,628	\$ 627,686
Investments	44,151	
Accounts Receivable		6,860
	\$ 51,779	\$ 634,546
Liabilities		
Accounts Payable		\$ 15,860
Due to Student Groups		618,686
		634,546
Net Position		
Held in Trust for Other Purposes	\$ 51,779	
	\$ 51,779	\$ 634,546
Total Liabilities and Net Position		

See Accompanying Notes to Financial Statements

WARREN COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2015

	<u>Private Purpose Trust Funds</u>
Additions	
Earnings on Investments	\$ 41
Deductions	
Account Maintenance Fee	<u>117</u>
Change in Net Position	(76)
Net Position, July 1, 2014	<u>51,855</u>
Net Position, June 30, 2015	<u>\$ 51,779</u>

See Accompanying Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

WARREN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE A – REPORTING ENTITY

The Warren County Board of Education (the “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 Warren County School District (the “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*, as Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Warren County School District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the District itself such as Athletic Boosters, Band Boosters, Parent-Teacher Associations, etc. The District is not involved in budgeting or managing these organizations, is not responsible for any debt of the organizations, and has no influence over the operation of these organizations.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent upon the District. 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:

Warren County School District Finance Corporation – The Warren County, Kentucky, Board of Education has established the Warren County School District Finance Corporation (the “Corporation”) (a non-profit, non-stock, public 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 Warren County Board of Education also comprise the Corporation’s Board of Directors.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

▪ **BASIS OF ACCOUNTING**

The District’s financial statements are prepared in accordance with generally accepted accounting principles (“GAAP”). The Governmental Accounting Standards Board (“GASB”) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

▪ **BASIS OF PRESENTATION**

District-Wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the District as a whole. They include all funds of the District except for the fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

WARREN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

The District-Wide Financial Statements are prepared using the economic 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 a reconciliation with brief explanations to better identify the relationship between the District-Wide Financial Statements and the statements for governmental funds.

The District-Wide Financial Statement of Activities presents a comparison between direct expense 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 therefore clearly identifiable to a particular function. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program and charges paid by the recipient of the goods or services offered by the function or program. Revenues 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 or program is self-financing or draws from the general revenues of the District. The District allocates certain indirect costs to be included in the function or program expenses reported for individual governmental activities in the District-Wide Statement of Activities.

In the District-Wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements, each of which is considered to be a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a) Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b) Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- c) Funds may be reported as a major fund if the District considers them significant to the users of the financial statements.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a 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 sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

WARREN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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All proprietary fund types are accounted for on an economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The Statement of Cash Flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used.

The fiduciary funds are reported using the economic resources measurement focus. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities.

The funds of the financial reporting entity are described below:

I. Governmental Funds

Major Funds

- A. The General Fund is the primary operating fund of the District and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds. This is a budgeted fund and any unrestricted fund balances are considered to be resources available for use. Reservations have been placed on the fund balance for outstanding encumbrances, allocation to the schools' site based decision making councils, and accrued sick leave.
- 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 assistance 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. The Kentucky Department of Education has deemed this fund always be classified as a major fund.
- C. Capital Project Fund is classified as a major fund and is used to account for financial resources restricted for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds). The District's Capital Project Fund includes:
 - 1. The Support Education Excellence in Kentucky ("SEEK") Capital Outlay Fund – This fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
 - 2. The Facility Support Program of Kentucky ("FSPK") Fund – This fund accounts for funds generated by the building tax levy and also participates 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 – This fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.

WARREN COUNTY SCHOOL DISTRICT
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Nonmajor Funds

- A. The Debt Service Fund accounts for the accumulation of financial resources for the payment of principal, interest, and related costs on the general long-term debt of the District, including the payment of interest on general obligation notes payable, as required by Kentucky law.
- B. The Permanent Fund accounts for assets held by the District pursuant to a trust agreement. The principal portion of this fund must remain intact, but the earnings may be used to achieve the objectives of the fund.

II. Proprietary Funds

Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods and services. The District's enterprise funds are the School Food Service Fund and the Day Care Fund operated out of Greenwood High School and are major funds. The School Food Service Fund is used to account for the financial transactions related to the food service operations of the District.

III. Fiduciary Funds

Agency Funds

Agency funds account for assets held by the District in a purely custodial capacity. Since agency funds are custodial in nature (i.e. assets equal liabilities), and they do not involve the measurement of results of operations.

The School Activity Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Kentucky Department of Education Publication *Uniform Program of Accounting for School Activity Funds*.

Private-Purpose Trust Funds

The Private-Purpose Trust Funds can only be used to purchase textbooks for needy students and for the award of scholarships.

▪ **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.

▪ **ACCOUNTS RECEIVABLE**

Receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include federal and state funding and taxes. Amounts on the District-Wide Statement of Net Position and the Governmental Funds Balance Sheet are net of allowance for doubtful accounts.

▪ **INVESTMENTS**

Investments consist of non-brokered certificates of deposits recorded at fair value and are restricted at June 30, 2015.

WARREN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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▪ **INVENTORIES**

On the District-Wide Statement of Net Position inventories are stated at the lower of cost or market and are expensed when used. The Food Service Fund inventories use the specific identification method and the General Fund inventories use the first-in, first-out method. The Food Service Fund's inventories consist of food and supplies valued at cost, and U. S. Government commodities whose value is determined by the U. S. Department of Agriculture.

In the Governmental Funds Balance Sheet, inventories in the General Fund are equally offset by a reserve which indicates they do not constitute "available spendable resources" even though they are a component of total assets.

▪ **CAPITAL ASSETS**

District-Wide Financial Statements

In the District-Wide Financial Statements, capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. The District maintains a capitalization threshold as follows, with the exception of land, computers and technology equipment for which there is no threshold:

Land Improvements	\$20,000
Buildings	20,000
Portable Buildings	20,000
Building Improvements	20,000
School Buses	5,000
Other Vehicles	5,000
Rolling Stock	5,000
Food Service Equipment	5,000
Furniture and Fixtures	5,000
Audio-Visual Equipment	5,000
Other General Equipment	5,000
Musical Instruments	5,000
Software	5,000

The cost of normal maintenance and repairs that do not add value or materially extend an asset's life are expensed. The District has elected not to capitalize interest on debt used to finance building construction/renovations.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the District-Wide Statement of Activities, with accumulated depreciation reflected in the District-Wide Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	50 years
Building Improvements	25 years
Technology Improvements	5 years
School Buses	10 years
Vehicles	5 years
Food Service Equipment	12 years
Audio-Visual Equipment	15 years
Other General Equipment	10 years

**WARREN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

Fund Financial Statements

In the fund financial statements, capital assets used in Governmental Fund operations are accounted for as expenditures of the General Fund. Capital assets used in Proprietary Fund operations are accounted for the same as in the District-Wide Financial Statements.

▪ **LONG-TERM DEBT**

District-Wide Financial Statements

All long-term debt to be repaid from governmental resources is reported as liabilities in the District-Wide Statement of Net Position. The long-term debt consists primarily of bond obligations and compensated absences.

Fund Financial Statements

Long-term debt is not reported as liabilities in the Governmental Funds Balance Sheet. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. There are no long-term debt obligations recorded in the Proprietary Funds as these funds are not responsible for paying the debt.

▪ **COMPENSATED ABSENCE**

The District's policies regarding sick leave permit employees to accumulate earned but unused sick leave.

The entire compensated absence liability is reported on the District-Wide Statement of Net Position. The current portion of this debt is estimated based on employees who have twenty-seven years of service or more as of June 30, 2015 and is calculated at thirty percent of their total accumulated sick leave.

In the Governmental Funds Balance Sheet, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. The noncurrent portion of the liability is not reported. No liability is accrued in the Proprietary Fund.

▪ **EQUITY CLASSIFICATIONS**

District-Wide Financial Statements

Equity is classified as net position and displayed in three components:

- Invested in Capital Assets, Net of Related Debt – Consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted Net Position – Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, or laws or regulations, or 2) law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

Fund Financial Statements

Under the GASB Statement 54, fund balance is separated into five categories, as follows:

Nonspendable – Permanently nonspendable by decree of the donor, such as an endowment, or items which may not be used for another purpose, such as amounts used to prepay future expenses or already-purchased inventory on hand.

WARREN COUNTY SCHOOL DISTRICT
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Restricted – Legally restricted under federal or state law, bond authority, or grantor contract.

Committed – Commitments passed by the Board.

Assigned – Funds assigned to management priority including issued encumbrances.

Unassigned – Funds available for future operations.

It is the District'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.

▪ **ENCUMBRANCE ACCOUNTING**

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying Required Supplementary Information. Encumbrances are considered a managerial assignment of fund balance at June 30, 2015 in the Governmental Funds Balance Sheet.

▪ **REVENUES – EXCHANGE AND NON-EXCHANGE TRANSACTIONS**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become 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 fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, occupational taxes, grants, entitlements and donations.

In addition, the District levies an occupational license tax of 0.5% on salaries, wages, commissions, and other compensation to residents of the Warren County School District for services performed or rendered within Warren County and on the net profits of all resident businesses, professions, or occupations from activities conducted within the Warren County School District. Occupational tax revenues are not susceptible to accrual because generally they are not measurable until received in cash.

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, revenue from non-exchange transactions must also be available before it can be recognized.

When both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first then unrestricted resources, as they are needed.

▪ **UNEARNED REVENUE**

Unearned revenue arises when assets are recognized before a revenue recognition criterion has been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned grant revenue.

**WARREN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

In order to present the Special Revenue Fund on the accrual basis of accounting, and because the awards are not yet available as assets, cash awards received in advance for the 2015-2016 school year have been classified as unearned grant revenues. Likewise, all awards requested as a result of 2014-2015 expenditures have been classified as receivables. Revenues of the Special Revenue Fund are considered earned when reimbursable expenditures are made or obligations are incurred, and of an equal amount.

▪ **OPERATING AND NONOPERATING REVENUES**

Operating revenues are those revenues that are generated directly from the primary activity of the Proprietary Funds. Those revenues are primarily charges for meals provided by the various schools and for childcare services provided. Nonoperating revenues of the Proprietary Funds included grants, donations, and interest income.

▪ **DONATED COMMODITIES**

The fair value of donated commodities received during the year is reported in the Proprietary Fund Statement of Revenues, Expenses, and Changes in Net Position as an expense and as donated commodities revenue (nonoperating revenue).

▪ **PROPERTY TAXES**

Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in Warren County. The tax rate is generally agreed to by the Board in the following September and contingent upon state approval. The billings are considered due upon receipt by the taxpayer; however, the actual due date is based on a period ending 30 days after the tax bill mailing. Property taxes 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.

The property tax rates assessed for the year ended June 30, 2015 were \$0.423 per \$100 valuation for real property and \$0.423 per \$100 valuation for business personal property. Motor vehicle tax was \$0.545 for \$100 valuation of motor vehicles.

The following is the District's property tax calendar:

Date Event	
January 1, year of levy	Assessment date
October 1, year of levy	Taxes levied
October 31, year of levy	2% discount allowed
December 31, year of levy	Gross amount due
January 1, following year	Delinquent date, 5% penalty added
February 1, following year	21% penalty added

The District levies a 3.0% utility tax on all businesses and households within Warren County.

▪ **ESTIMATES**

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

WARREN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

▪ **BUDGETARY PRINCIPLES**

The District's budgetary process accounts for certain transactions on a basis other than GAAP. The major differences between the budgetary basis and the GAAP basis are:

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

Expenditures are recorded when paid in cash (budgetary) as opposed to when the obligation is incurred (GAAP).

▪ **INTERFUND RECEIVABLES AND PAYABLES**

Each fund is a separate fiscal and accounting entity, and thus interfund transactions are recorded in each fund affected by a transaction. Interfund receivables and payables for the District arise generally from two types of transactions: 1) all funds are initially received into the General Fund, thus a payable and receivable are established in the appropriate funds; and 2) payments are from the General Fund checking account, which may not have the legal liability for the expenditure, thus a payable from the fund having the legal liability is established at such time. Typically, interfund receivables and liabilities are resolved monthly, and all of these balances should be resolved within a year. All interfund receivables and payables have been eliminated on the District-wide Statement of Net Position.

▪ **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.

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, capital leases, compensated absences 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 financial resources. School building revenue 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.

▪ **PENSIONS**

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the Kentucky Teachers Retirement System and County Employees Retirement System and additions to/deduction from these pensions' fiduciary net position have been determined on the same basis as they are reported by those pensions. For this purpose, benefits 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 C – CASH AND INVESTMENTS

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to Kentucky Revised Statutes ("KRS") 160.570 and 702 Kentucky Administrative Regulations ("KAR") 3:090. The depository bank deposits for safekeeping with the District's third party agent approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

WARREN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

At June 30, 2015, the carrying amount of the District's total cash and cash equivalents was \$36,222,651. Of the total cash balance, \$250,000 was covered by Federal depository insurance, with the remainder covered by a collateral agreement and collateral held by the pledging banks' trust departments in the District's name. (Government Funds \$32,545,174, Proprietary Funds \$3,085,038, Private-Purpose Trust \$7,628, and Agency Funds \$584,811)

KRS authorize the District to invest in direct obligations of the United States government; obligations backed by the full faith and credit of the United States government; certificates of deposit or other interest bearing accounts issued by any bank or savings and loan institution provided that such investment is insured by the FDIC or guaranteed by the pledge of direct United States government obligations; bonds issued by the Commonwealth of Kentucky or one of its agencies and instrumentalities; securities issued by any state or local government of the United States rated in one of the three highest categories by a nationally recognized rating agency; certain mutual funds; commercial paper rated in the highest category by a nationally recognized rating agency; or bankers' acceptances for banks rated in one of the three highest categories by a nationally recognized rating agency.

Due to the nature of the accounts and certain limitations imposed on the use of funds, each bank account within the following funds is considered to be restricted: SEEK Capital Outlay Fund, FSPK Fund, Technology Fund (accounted for within the Special Revenue Fund), Special Revenue Fund, Debt Service Fund, Bond Proceeds Fund, School Construction Fund, School Food Service Fund, and School Activity Funds.

Generally Accepted Accounting Principles, require the District to address the following risks related to its investments:

Credit Risk – Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. More specifically, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a policy for custodial credit risk. All investments held by the District are insured or collateralized with securities held by the District or by the financial institution in the District's name.

Interest Rate Risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair value by purchasing a combination of shorter and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or approaching maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Concentration of Credit Risk – The District's investment policy places no limit on the amount the District may invest in any one issuer.

WARREN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE D – RECEIVABLES

The District recognizes revenues as receivable when they are measurable and receipt is certain. Concentration of credit risk with respect to the receivables from federal and state governments is limited due to the historical stability of those institutions. While the District receives revenues from many different sources throughout the year, the accounts and grants receivable may be grouped into the following categories:

	Governmental Activities/ Governmental Funds	Business-Type Activities/ Proprietary Funds	Total
Accounts and Grants Receivable:			
Other Receivables	\$ 920,557	\$ 108,589	\$ 1,029,146
Taxes Receivable	1,112,643		1,112,643
Grants Receivable	1,007,866		1,007,866
Gross Receivables	3,041,066	108,589	3,149,655
Less: Allowance for Doubtful Accounts	63,784	20,095	83,879
 Net Receivables	 <u>\$ 2,977,282</u>	 <u>\$ 88,494</u>	 <u>\$ 3,065,776</u>

Federal and state grants to be used or expended as specified by the grantor are recognized as revenue and recorded as receivables when qualifying expenditures are incurred.

NOTE E – CAPITAL ASSETS

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

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental Activities				
Capital assets that are not depreciated:				
Land	\$ 8,858,365		\$ 362,673	\$ 8,495,692
Construction in Progress	701,521	\$ 10,265,126		10,966,647
Total Nondepreciable Historical Cost	<u>9,559,886</u>	<u>10,265,126</u>	<u>362,673</u>	<u>19,462,339</u>
Capital assets that are depreciated:				
Land Improvement	16,426,799	61,623	(362,673)	16,851,095
Buildings and Improvements	240,512,750	91,848		240,604,598
Technology Equipment	15,625,439	861,662	626,795	15,860,306
Vehicles	17,490,450		145,951	17,344,499
Other Machinery & Equipment	11,997,206	629,688	178,349	12,448,545
Total Depreciable Historical Cost	<u>302,052,644</u>	<u>1,644,821</u>	<u>588,422</u>	<u>303,109,043</u>
Less accumulated depreciation for:				
Land improvements	3,598,926	799,617		4,398,543
Buildings and Improvements	54,836,249	5,081,658		59,917,907
Technology Equipment	12,624,275	1,586,034	622,652	13,587,657
Vehicles	12,632,342	1,093,487	111,434	13,614,395
Other Machinery & Equipment	5,832,952	858,802	152,319	6,539,435
Total Accumulated Depreciation	<u>89,524,744</u>	<u>9,419,598</u>	<u>886,405</u>	<u>98,057,937</u>
 Total Depreciable Historical Cost, Net	 <u>212,527,900</u>	 <u>(7,774,777)</u>	 <u>(297,983)</u>	 <u>205,051,106</u>
 Governmental Activities, Capital Assets, Net	 <u><u>\$ 222,087,786</u></u>	 <u><u>\$ 2,490,349</u></u>	 <u><u>\$ 64,690</u></u>	 <u><u>\$ 224,513,445</u></u>

**WARREN COUNTY SCHOOL DISTRICT
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June 30, 2015**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets that are depreciated:				
Buildings and Improvements	\$ 15,127,597			\$ 15,127,597
Technology Equipment	156,023	\$ 7,209	\$ 2,031	161,201
Other Machinery & Equipment	4,508,480		123,494	4,384,986
Total Depreciable Historical Cost	<u>19,792,100</u>	<u>7,209</u>	<u>125,525</u>	<u>19,673,784</u>
Less accumulated depreciation for:				
Buildings and Improvements	3,528,935	309,761		3,838,696
Technology Equipment	126,181	14,910	2,031	139,060
Other Machinery & Equipment	2,623,581	263,594	114,509	2,772,666
Total Accumulated Depreciation	<u>6,278,697</u>	<u>588,265</u>	<u>116,540</u>	<u>6,750,422</u>
Total Depreciable Historical Cost, Net	<u>13,513,403</u>	<u>(581,056)</u>	<u>8,985</u>	<u>12,923,362</u>
Business-Type Activities, Capital Assets, Net	<u>\$ 13,513,403</u>	<u>\$ (581,056)</u>	<u>\$ 8,985</u>	<u>\$ 12,923,362</u>

Depreciation expense was charged to functions/programs governmental activities as follows:

Instruction	\$ 7,212,449
Support Services:	
Student	7,043
Instructional Staff	29,588
District Administration	794
School Administration	1,663
Business	26,285
Facilities Operations and Maintenance	1,079,952
Student Transportation	1,056,082
Community Service	5,742
Total Depreciation Expense	<u>\$ 9,419,598</u>

NOTE F – GENERAL LONG-TERM OBLIGATIONS

The amount shown in the accompanying District-Wide Financial Statements as bond obligations represents the District's future obligations to make lease payments relating to school building revenue bonds issued by the Corporation on behalf of the District for purposes of school facility construction. These amounts are not reflected on the governmental fund financial statements.

The General Fund, SEEK Capital Outlay Fund, and the FSPK Building Fund are obligated to make lease payments. The lease agreements provide, among other things, for lease payments sufficient to satisfy debt service requirements on bonds issued by the Corporation to construct school facilities. The District has the option to purchase the property under lease at any time by retiring the bonds then outstanding. Upon completion of such payments, the leased premises will become the property of the District. The District must generally make sinking fund payments by the fifteenth day of the month prior to scheduled bond and interest payment dates. The District is also obligated to maintain adequate property insurance on the school facilities, and the school facilities have been pledged as security to the holders of the bonds.

In connection with the school building revenue bonds issued after May 1, 1996, the District entered into "participation agreements" with the Kentucky School Facilities Construction Commission (the "Commission"). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The Commission will remit a stated amount of bond principal and interest payments annually, subject to biennial approval by the Kentucky General Assembly. Should approval not be received in future periods,

**WARREN COUNTY SCHOOL DISTRICT
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June 30, 2015**

the District remains obligated for the full amount of the bond principal and interest payments. Therefore, the liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the District-Wide Financial Statements.

The District has issued one Build America Bond Series which requires the US Treasury to subsidize the District for 35% of the interest cost relating to the outstanding debt. The 2010 Series Build America Bonds have interest rates that range from 0.80% to 5.63% and was fully refunded during the year ended June 30, 2015.

On April 1, 2015, the District issued \$6,235,000 in School Building Revenue Bonds with interest rates that range from 2% to 3% to refund \$1,330,000 of outstanding 2006 Series Bonds with an average interest rate of 4%. The refunding is scheduled for February 1, 2016. Until that time, the funds to refund the bonds are being held in escrow and are considered defeased. The refunding reduced total debt service payments over the next 11 years by \$420,000, with a net present value savings of 6.25%. This results in an economic gain (the difference between the present values of the old and the new debt service payments) of \$360,000. The refunding of the Series 2006 Bonds resulted in a deferred loss on refunding of \$237,000, to be amortized over the life of the new bonds.

On April 1, 2015, the District issued \$12,235,000 in School Building Revenue Bonds with interest rates that range from 2% to 3.125% to refund \$11,940,000 of outstanding 2010 Series Bonds with an average interest rate of 5.13%. The refunding reduced total debt service payments over the next 16 years by \$502,000, with a net present value savings of 3.35%. This results in an economic gain (the difference between the present values of the old and the new debt service payments) of \$367,000. The refunding of the Series 2010 Bonds resulted in a deferred gain on refunding of \$15,000, to be amortized over the life of the new bonds.

Following is a schedule of obligations existing at June 30, 2015:

<u>Issue Date</u>	<u>Series</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount Outstanding</u>
August 1, 2005	XXXIV	3.00%-4.00%	December 1, 2019	\$ 6,170,000
February 1, 2006	XXXV	4.00%-4.25%	February 1, 2026	1,330,000
April 1, 2008	XXXVIII	3.25%-4.375%	April 1, 2028	42,420,000
December 30, 2009	MMIX	2.09%-2.09%	December 15, 2025	4,484,000
July 1, 2010	MMX	2.00%-3.125%	February 1, 2019	2,195,000
November 1, 2011	MMXII	1.50%-2.625%	April 1, 2022	3,920,000
October 1, 2012	MMXII	1.10%-2.50%	October 1, 2032	4,175,000
November 1, 2012	MMXIV	0.40%-1.75%	June 1, 2023	4,125,000
March 1, 2014	MMXIV	2.00%-3.00%	December 1, 2024	5,825,000
March 1, 2014	MMXIV	2.00%-4.00%	June 1, 2029	25,520,000
April 1, 2015	MMXV	2.00%-3.50%	April 1, 2035	18,465,000
April 1, 2015	MMXV	2.00%-3.00%	February 1, 2026	6,235,000
April 1, 2015	MMXV	2.00%-3.125%	August 1, 2030	<u>12,235,000</u>
				137,099,000
				<u>1,465,918</u>
Plus Unamortized Deferred Premiums and Discounts				137,099,000
				<u>1,465,918</u>
Total School Building Revenue Bonds				\$ <u>138,564,918</u>

**WARREN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

Following are aggregate obligations existing at June 30, 2015:

Year Ending June 30,	Principal	Interest	Total Repayments	Less: Commission Participation	Net Repayments
2016	\$ 9,423,000	\$ 4,217,684	\$ 13,640,684	\$ 503,326	\$ 13,137,358
2017	9,261,000	4,020,890	13,281,890	476,921	12,804,969
2018	9,504,000	3,776,204	13,280,204	476,922	12,803,282
2019	9,782,000	3,509,579	13,291,579	476,921	12,814,658
2020	10,046,000	3,218,715	13,264,715	444,564	12,820,151
2021-2025	46,649,000	11,772,057	58,421,057	1,869,433	56,551,624
2026-2030	33,514,000	4,167,111	37,681,111	1,452,430	36,228,681
2031-2035	8,920,000	777,868	9,697,868	122,738	9,575,130
	<u>\$ 137,099,000</u>	<u>\$ 35,460,107</u>	<u>\$ 172,559,107</u>	<u>\$ 5,823,255</u>	<u>\$ 166,735,852</u>

Long term liability activity for the year ended June 30, 2015 was as follows:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015	Amounts Due Within One Year
Governmental Activities					
Bonds Payable					
General Obligation Debt	\$ 126,600,000	\$ 36,935,000	\$ 26,436,000	\$ 137,099,000	\$ 9,423,000
Plus Deferred Discounts and Premiums	1,317,830	269,301	121,213	1,465,918	
Total Bonds Payable	<u>127,917,830</u>	<u>37,204,301</u>	<u>26,557,213</u>	<u>138,564,918</u>	<u>9,423,000</u>
Other Liabilities					
Compensated Absences	5,272,342	516,469	268,320	5,520,491	557,261
Insurance	424,748		424,748		
Total Other Liabilities	<u>5,697,090</u>	<u>516,469</u>	<u>693,068</u>	<u>5,520,491</u>	<u>557,261</u>
Total Long-Term Obligations	<u>\$ 133,614,920</u>	<u>\$ 37,720,770</u>	<u>\$ 27,250,281</u>	<u>\$ 144,085,409</u>	<u>\$ 9,980,261</u>

NOTE G – ACCUMULATED UNPAID SICK LEAVE BENEFITS

Accrued sick leave, which has no maximum accumulation, is payable upon retirement at 30% of the value of accumulated sick leave. In accordance with GAAP, the District has recorded approximately \$5.5 million in accrued sick leave as a liability in the District-Wide Statement of Net Position since the majority of these liabilities are not expected to be liquidated with expendable available financial resources. Of the \$5.5 million, \$557,261 is reflected as a current liability on the District Wide Statement of Net Position, as this amount is for those employees with twenty-seven or more years of experience. Additionally, the Governmental Fund Balance Sheet reflects the current portion of accrued sick leave of \$34,550. This is the amount anticipated to be funded with current year's economic financial resources.

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 past experience of making termination payments.

**WARREN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

NOTE H – RETIREMENT PLANS

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

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

Plan description

Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute Section (“KRS”) 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 members 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:

	Balance			Balance	Amounts
	July 1, 2014	Increases	Decreases	June 30, 2015	Due Within
Governmental Activities					One Year
Bonds Payable					
General Obligation Debt	\$ 126,600,000	\$ 36,935,000	\$ 26,436,000	\$ 137,099,000	\$ 9,423,000
Plus Deferred Discounts and Premiums	1,317,830	269,301	121,213	1,465,918	
Total Bonds Payable	<u>127,917,830</u>	<u>37,204,301</u>	<u>26,557,213</u>	<u>138,564,918</u>	<u>9,423,000</u>
Other Liabilities					
Compensated Absences	5,272,342	516,469	268,320	5,520,491	557,261
Insurance	424,748		424,748		
Total Other Liabilities	<u>5,697,090</u>	<u>516,469</u>	<u>693,068</u>	<u>5,520,491</u>	<u>557,261</u>
Total Long-Term Obligations	<u>\$ 133,614,920</u>	<u>\$ 37,720,770</u>	<u>\$ 27,250,281</u>	<u>\$ 144,085,409</u>	<u>\$ 9,980,261</u>

Cost of living adjustments are provided at the discretion of the State Legislature. 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.

**WARREN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

Contributions

Required contributions to the employee are based on the tier:

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

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

Plan description

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

Benefits provided

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

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

Participants that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

Final average salary is defined as the employee'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 an employee, 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.

**WARREN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

Contributions

Contribution rates are established by KRS. Non-university employees are required to contribute 12.105% of their salaries to the System.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions of the amount 13.105% of salaries for local school district employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district 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 employee's request.

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 of for its proportionate share of the net pension liability for CERS. KTRS did not report a liability for the District's proportionate share of the net pension liability 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	\$	21,406,000
Commonwealth's proportionate share of the KTRS net pension liability associated with the District		344,848,397
		\$ 366,254,397

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 0.659788% percent.

For the year ended June 30, 2015, the District recognized pension expense of \$2,433,305 related to CERS and \$16,898,273 related to KTRS, of which \$8,126,457 was recognized on the fund financial statements as it represented amounts paid on the District's behalf during the year. The District also recognized revenue of \$16,898,273 for KTRS support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments		\$ 2,389,000
District contributions subsequent to the measurement date	\$ 2,749,557	
Total	\$ 2,749,557	\$ 2,389,000

**WARREN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

\$2,749,557 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:

For the Year Ended June 30:

2016	\$	549,911
2017		549,911
2018		549,911
2019		549,911
2020		549,911

Actuarial assumptions

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

	<u>CERS</u>	<u>KTRS</u>
Inflation	3.50%	3.50%
Projected salary increases	4.50%	4.0-8.2%
Investment rate of return, net of investment expense 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 members and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other members. The Group Annuity Mortality Table set forward five years is used for the period after disability retirement.

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.

**WARREN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	45.0%	6.4%
Non U.S. Equity	17.0%	6.5%
Fixed Income	24.0%	1.6%
High Yield Bonds	4.0%	3.1%
Real Estate	4.0%	5.8%
Alternatives	4.0%	6.8%
Cash	2.0%	1.5%
Total	<u>100.0%</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 members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.75%. The long-term 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 members 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.

**WARREN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

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	\$ 18,643,935	\$ 21,406,000	\$24,168,065
KTRS	4.23%	5.23%	6.23%
District's proportionate share of net pension liability	\$0	\$0	

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.

Medical Insurance Plan

Plan description

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

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

Funding policy

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

WARREN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE I – ON-BEHALF PAYMENTS

The Commonwealth of Kentucky pays certain expenses on behalf of the District. In the financial statements, these payments are recorded as an expense and other state revenue. These expenses include the following the year ended June 30, 2015:

Health Insurance	\$ 13,626,177
KTRS Employer Match	8,126,457
Health Reimbursement Account	733,078
State Administration Fees	168,707
Life Insurance	24,532
Federal Reimbursement of Health Benefits	(975,249)
Technology	135,650
School Facilities Construction Commission Debt Service	<u>503,137</u>
	<u>\$ 22,342,489</u>

NOTE J – POST-EMPLOYMENT HEALTH CARE BENEFITS

Retired District employees receive some health care benefits depending on their length of service. In accordance with Kentucky Revised Statutes, these benefits are provided and advanced-funded on an actuarially determined basis through the CERS and KTRS plans.

NOTE K – COMMITMENTS

On June 30, 2015, the District had outstanding commitments for construction of \$22,726,788.

NOTE L – CONTINGENCIES

The District receives funding from federal, state, and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if 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 grantor's satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

In addition, the District operates in a heavily regulated environment. The operations of the District are subject to the administrative directives, rules and regulations of federal and state regulatory agencies, including, but not limited to, the U.S. Department of Education and the Kentucky Department of Education. Such administrative directives, rules and regulations are subject to change by an act of Congress or the Kentucky Legislature or an administrative change mandated by the Kentucky Department of Education. Such changes may occur with little or inadequate funding to pay for the related cost, including the additional burden to comply with a change.

NOTE M – INSURANCE AND RISK MANAGEMENT

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 is covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated including workers' compensation insurance. Premiums for these policies are based upon the District's experience to date.

The District is also exposed to various risks of loss related to torts, errors and omissions, injuries to employees, and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District contracts with an insurance broker to obtain proper coverage.

**WARREN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

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

In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE N – LITIGATION

The District is subject to various legal actions in various stages of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the financial statements as a result of the litigation presently in progress.

NOTE O – RECONCILIATION OF FINANCIAL STATEMENTS TO ANNUAL FINANCIAL REPORT FILED WITH THE KENTUCKY DEPARTMENT OF EDUCATION

In order for the District-Wide Statement of Net Position to conform to generally accepted accounting principles, the Annual Financial Report (submitted to the Kentucky Department of Education) had to be adjusted. Below are reconciliations of the total assets and liabilities of the District-Wide Statement of Net Position to the Annual Financial Report.

Total Assets and Deferred Outflows of Resources per District-Wide Statement of Net Position	\$ 280,455,936
Less: Transactions/Funds not Recorded on the Annual Financial Report	
Occupational Tax Office "Total Assets" from Governmental Funds Balance Sheet	(21,936)
Deferred Outflows of Resources not Recorded on the Governmental Funds Balance Sheet	(3,184,902)
Other Governmental Funds "Total Assets" from Governmental Funds Balance Sheet	<u>(707,618)</u>
Total Assets and Deferred Outflows of Resources per Annual Financial Report filed with the Kentucky Department of Education	<u>\$ 276,541,480</u>
General Fund (1)	\$ 21,341,407
Special Revenue (2)	1,977,155
School Activity Fund (21)	280,243
Construction Fund (360)	11,471,545
Capital Outlay (310)	94,941
Food Service Fund (51)	3,701,432
Day Care (52)	237,950
Governmental Assets (8)	224,513,445
Food Service Assets (81)	<u>12,923,362</u>
Total Assets and Deferred Outflows of Resources Annual Financial Report filed with the Kentucky Department of Education	<u>\$ 276,541,480</u>

**WARREN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

Total Liabilities and Deferred Inflows of Resources per District-Wide Statement of Net Position \$ 173,713,707

Less: Transactions/Funds not Recorded on the Annual Financial Report

Occupational Tax Office "Total Liabilities" from Governmental Funds Balance Sheet	(7,514)
Bond Payable Discounts Less Amortization	(1,465,918)
Additional Current Portion of Compensated Absences not Recorded on the Governmental Funds Balance Sheet	(522,710)
Deferred Inflow of Resources not Recorded on the Governmental Funds Balance Sheet	(2,030,650)
Net Pension Liability not Recorded on the Governmental Funds Balance Sheet	(18,195,100)
Accrued Interest not Recorded on the Governmental Funds Balance Sheet	<u>(919,615)</u>

Total Liabilities and Deferred Inflows of Resources per Annual Financial Report filed with the Kentucky Department of Education \$ 150,572,200

General Fund (1)	\$ 2,000,027
Special Revenue (2)	893,664
School Activity (21)	618
Construction Fund (360)	1,957,111
Food Service Fund (51)	3,420,600
Day Care Fund (52)	237,950
Long Term Debt Account Group (9)	<u>142,062,230</u>

Total Liabilities and Deferred Inflows of Resources per Annual Financial Report filed with the Kentucky Department of Education \$ 150,572,200

NOTE P – TRANSFER OF FUNDS

Although each fund is its own distinct reporting entity, periodically, funds have cause to transfer their revenues to other funds. The most common reasons necessitating interfund transfers are for debt service payments and grant matching funds. Debt service payments may be paid from revenues in the Capital Outlay Fund, Building Fund, or Construction Fund, but the expenditures are recorded in the Debt Service Fund with transfers recorded to keep the funds in balance.

At times, the Board receives grants which require an amount of matching funds. Usually, General Fund supplies this match offset by operating transfers to the Special Revenue Fund.

**WARREN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

Interfund transfers are eliminated in the governmental and business-type activities columns of the District-Wide Statement of Net Position. As reflected on the governmental fund financial statements, the following transfers were made during the year:

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	Special Revenue	Technology Match	\$ 309,535.00
General Fund	Construction	Capital Funds Request	825,000.00
FSPK Fund	General Fund	Capital Funds Request	972,348.64
SEEK Fund	General Fund	Capital Funds Request	1,178,772.36
FSPK Fund	Debt Service	Debt Service	11,968,106.16
Food Service	General Fund	Indirect Cost	420,279.63
General Fund	Construction	Close Project	4,527.79
Special Revenue	Debt Service	18C4 and 18CA Bond Pmts.	109,223.00
General Fund	Day Care Fund	To cover debit fund balance caused by pension liability	208,501.60
General Fund	Construction	To cover negative cash balance in Construction projects	19,872.50
			<u>\$ 16,016,166.68</u>

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

Effective July 1, 2014, the District was required to adopt GASB Statement no. 68, *Accounting and Financial Reporting for Pensions*. 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 government 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 \$21,016,746 reduction in beginning for governmental activities net position on the District-wide Statement of Activities and an increase of \$2,389,000 of for governmental activities deferred outflows of resources – District contributions subsequent to the measurement date. On the District-wide statement of activities and on the statement of revenues, expenses and changes in net position – proprietary funds, the prior period adjustment resulted in a reduction of \$2,990,637 to the beginning net position for the School Food Service Fund and a reduction of \$213,617 to the beginning net position of the Day Care Fund.

WARREN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE S – FUTURE ACCOUNTING PRONOUNCEMENTS

In February 2015, the GASB issued Statement No. 72, *Fair Value and Measurement and Application*. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2015.

This statement establishes standards for valuation techniques to measure fair value. This statement establishes a hierarchy of inputs to valuation techniques used to measure fair value. This statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques.

In June 2015, the GASB issued Statement No. 75, *Accounting and Reporting for Postemployment Other Than Pensions*. The provisions of this statement are effective for fiscal years beginning after June 15, 2017.

This statement establishes new accounting and financial reporting requirements for OPEB plans. The scope of this statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

The District is currently evaluating the impact that will result from adopting GASB No. 72 and GASB No. 75 and is therefore unable to disclose the impact that adopting these standards will have on the District's financial position and the results of its operations when the statement is adopted.

NOTE T – SUBSEQUENT EVENTS

In preparing these financial statements, management of the District has evaluated events and transactions for potential recognition or disclosure through March 11, 2016, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**WARREN COUNTY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Variances- Favorable (Unfavorable)
	Original	Final		Final to Actual
Revenues				
Local and Intermediate Sources	\$ 34,004,701	\$ 35,877,047	\$ 37,635,901	\$ 1,758,854
State Programs	44,861,956	64,978,713	68,226,757	3,248,044
Federal Programs	175,000	200,000	364,030	164,030
Total Revenues	79,041,657	101,055,760	106,226,688	5,170,928
Expenditures				
Instruction	48,228,100	62,361,336	62,754,054	(392,718)
Support Services				
Student	3,966,283	6,481,801	6,990,542	(508,741)
Instructional Staff	1,926,649	2,750,875	2,981,767	(230,892)
District Administration	1,748,213	2,122,120	2,062,629	59,491
School Administration	4,779,243	6,858,280	6,676,356	181,924
Business	1,973,012	2,771,007	2,903,184	(132,177)
Plant Operations and Maintenance	10,617,096	11,692,313	11,242,974	449,339
Student Transportation	8,835,735	8,447,826	7,252,559	1,195,267
Contingency	8,085,428	10,070,672		10,070,672
Total Expenditures	90,159,759	113,556,230	102,864,065	10,692,165
Revenues in Excess of (Less Than) Expenditures	(11,118,102)	(12,500,470)	3,362,623	15,863,093
Other Financing Sources (Uses)				
Proceeds from Sale of Fixed Assets	25,000	15,000	12,932	(2,068)
Transfers from Proprietary Funds	410,526	412,854	211,778	(201,076)
Operating Transfers	(212,518)	(204,000)	1,829,072	2,033,072
Total Other Financing Sources (Uses)	223,008	223,854	2,053,782	1,829,928
Revenues and Other Financing Sources in Excess of (Less Than) Expenditures and Other Financing Uses	(10,895,094)	(12,276,616)	5,416,405	17,693,021
Fund Balance-July 1, 2014	10,895,094	12,276,616	13,939,398	1,662,782
Fund Balance-June 30, 2015	\$	\$	\$ 19,355,803	\$ 19,355,803

See Independent Auditors' Report

WARREN COUNTY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE SPECIAL REVENUE FUND
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		<u>Final to Actual</u>
Revenues				
Local and Intermediate Sources	\$ 130,098	\$ 84,216	\$ 193,963	\$ 109,747
State Programs	3,372,354	4,087,631	4,182,609	94,978
Federal Programs	6,839,761	7,159,687	6,641,156	(518,531)
Total Revenues	<u>10,342,213</u>	<u>11,331,534</u>	<u>11,017,728</u>	<u>(313,806)</u>
Expenditures				
Instruction	9,435,500	10,243,632	9,676,851	566,781
Support Services				
Student			87,482	(87,482)
Instructional Staff	55,411	130,764	115,974	14,790
School Administration	46,264			
Business			60,094	(60,094)
Plant Operations and Maintenance	(116)	20,000	31,690	(11,690)
Student Transportation	184,024	105,437	111,832	(6,395)
Community Service	992,254	991,972	1,036,080	(44,108)
Total Expenditures	<u>10,713,337</u>	<u>11,491,805</u>	<u>11,120,003</u>	<u>371,802</u>
Revenues Less Than Expenditures	(371,124)	(160,271)	(102,275)	57,996
Other Financing Sources				
Operating transfers	<u>224,658</u>	<u>160,271</u>	<u>200,312</u>	<u>40,041</u>
Revenues and Other Financing Sources in Excess of (Less Than) Expenditures	(146,466)		98,037	98,037
Fund Balance-July 1, 2014			<u>985,454</u>	<u>985,454</u>
Fund Balance-June 30, 2015	<u>\$ (146,466)</u>	<u>\$</u>	<u>\$ 1,083,491</u>	<u>\$ 1,083,491</u>

See Independent Auditors' Report

**WARREN COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY --
COUNTY EMPLOYEES RETIREMENT SYSTEM
For the Year Ended June 30, 2015**

	2014-15
District's portion of the net pension liability	0.6598%
District's proportionate share of the net pension liability	\$ 21,406,000
District's covered-employee payroll	\$ 20,934,976
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	102.25%
Plan fiduciary net position as a percentage of the total pension liability	5.4079%

**Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See Independent Auditors' Report

**WARREN COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY --
KENTUCKY TEACHERS RETIREMENT SYSTEM
For the Year Ended June 30, 2015**

	2014-15
District's portion of the net pension liability	0.0000%
District's proportionate share of the net pension liability	0
Commonwealth's proportionate share of the net pension liability associated with the District	1.6782%
Commonwealth's proportionate share of the net pension liability associated with the District	\$344,848,397
Total	\$344,848,397
District's covered-employee payroll	\$ 54,229,865
District's proportionate share of the net pension liability	0
Commonwealth's proportionate share of the net pension liability as a percentage of the District's covered-employee payroll	635.90%
Plan fiduciary net position as a percentage of the total pension liability	4.2776%

**Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See Independent Auditors' Report

**WARREN COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT CONTRIBUTIONS --
COUNTY EMPLOYEES RETIREMENT SYSTEM
For the Year Ended June 30, 2015**

	<u>2014-15</u>
Contractually required contribution	\$ 2,859,305
Contributions in relation to the contractually required contribution	<u>(2,859,305)</u>
	<u>\$ 0</u>
 District's covered-employee payroll	 \$ 20,934,976
Contributions as a percentage of covered- employee payroll	 13.6580%

**Schedule is intended to show information for ten years.
Additional years will be displayed as they become
available.

See Independent Auditors' Report

**WARREN COUNTY SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT CONTRIBUTIONS --
 KENTUCKY TEACHERS RETIREMENT SYSTEM
 For the Year Ended June 30, 2015**

	2014-15
Contractually required contribution	\$ 0
Contributions in relation to the contractually required contribution	0
	\$ 0
 District's covered-employee payroll	 \$ 54,229,865
Contributions as a percentage of covered- employee payroll	0.00%

**Schedule is intended to show information for ten years.
 Additional years will be displayed as they become
 available.

See Independent Auditors' Report

OTHER SUPPLEMENTARY INFORMATION

COMBINING NONMAJOR FUND FINANCIAL STATEMENTS

**WARREN COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2015**

	<u>Permanent Fund</u>	<u>School Activity Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Assets			
Cash and Cash Equivalents	\$ 282,256	\$ 424,431	\$ 706,687
Accounts Receivable		931	931
Total Assets	<u>\$ 282,256</u>	<u>\$ 425,362</u>	<u>\$ 707,618</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable		\$ 618	\$ 618
Fund Balances			
Nonspendable			
Prepays			
Inventories			
Permanent Fund Principal	\$ 282,256		282,256
Encumbrances		15,189	15,189
Unassigned		409,555	409,555
Total Fund Balances	<u>282,256</u>	<u>424,744</u>	<u>707,000</u>
Total Liabilities and Fund Balances	<u>\$ 282,256</u>	<u>\$ 425,362</u>	<u>\$ 707,618</u>

See Independent Auditors' Report

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

	<u>Permanent Fund</u>	<u>School Activity Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues			
Taxes			
Earnings on Investments	\$ 9,004	\$ 658	\$ 9,662
Other		737,996	737,996
Total Revenues	<u>9,004</u>	<u>738,654</u>	<u>747,658</u>
Expenditures			
Instruction		255,670	255,670
Support Services			
Instructional Staff		34,066	34,066
Business	4,632		4,632
Student Transportation		24,174	24,174
Total Expenditures	<u>4,632</u>	<u>313,910</u>	<u>318,542</u>
Revenues in Excess of Expenditures	4,372	424,744	429,116
Other Financing Sources (Uses)			
Transfers Out	<u>(11,886)</u>		<u>(11,886)</u>
Net Changes in Fund Balances	(7,514)	424,744	417,230
Fund Balances July 1, 2014	<u>289,770</u>		<u>289,770</u>
Fund Balances June 30, 2015	<u>\$ 282,256</u>	<u>\$ 424,744</u>	<u>707,000</u>

See Independent Auditors' Report

**WARREN COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET
GOVERNMENTAL FUND-CAPITAL PROJECT FUNDS
June 30, 2015**

	<u>SEEK Fund</u>	<u>Construction Fund</u>	<u>Total Capital Project Funds</u>
Assets			
Cash and Cash Equivalents	<u>\$ 94,941</u>	<u>\$ 11,471,545</u>	<u>\$ 11,566,486</u>
Total Assets	<u><u>\$ 94,941</u></u>	<u><u>\$ 11,471,545</u></u>	<u><u>\$ 11,566,486</u></u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable		\$ 1,957,111	\$ 1,957,111
Fund Balances			
Restricted			
Capital Projects and Purchase Obligations	<u>\$ 94,941</u>	<u>9,514,434</u>	<u>9,609,375</u>
Total Liabilities and Fund Balances	<u><u>\$ 94,941</u></u>	<u><u>\$ 11,471,545</u></u>	<u><u>\$ 11,566,486</u></u>

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WARREN COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND-CAPITAL PROJECT FUNDS
For the Year Ended June 30, 2015

	<u>FSPK Fund</u>	<u>SEEK Fund</u>	<u>Construction Fund</u>	<u>Total Capital Project Funds</u>
Revenues				
From Local Sources				
Taxes - Property	\$ 11,206,950			\$ 11,206,950
Earnings on Investments			\$ 14,357	14,357
Intergovernmental-State	<u>2,402,424</u>	<u>\$ 1,318,254</u>		<u>3,720,678</u>
Total Revenues	<u>13,609,374</u>	<u>1,318,254</u>	<u>14,357</u>	<u>14,941,985</u>
Expenditures				
Bond Issuance Cost			426,393	426,393
Facilities Acquisitions and Construction			<u>9,838,732</u>	<u>9,838,732</u>
Total Expenditures			<u>10,265,125</u>	<u>10,265,125</u>
Revenues in Excess of (Less Than) Expenditures	13,609,374	1,318,254	(10,250,768)	4,676,860
Other Financing Sources (Uses)				
Proceeds from Issuance of Bonds			18,465,000	18,465,000
Premium on Bonds Sold			47,809	47,809
Operating Transfers In			849,400	849,400
Operating Transfers Out	<u>(13,609,374)</u>	<u>(1,225,630)</u>		<u>(14,835,004)</u>
Total Other Financing Sources (Uses)	<u>(13,609,374)</u>	<u>(1,225,630)</u>	<u>19,362,209</u>	<u>4,527,205</u>
Net Changes in Fund Balances		92,624	9,111,441	9,204,065
Fund Balances July 1, 2014		<u>2,317</u>	<u>402,993</u>	<u>405,310</u>
Fund Balances June 30, 2015	<u>\$</u>	<u>\$ 94,941</u>	<u>\$ 9,514,434</u>	<u>\$ 9,609,375</u>

See Independent Auditors' Report

WARREN COUNTY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 GOVERNMENTAL FUND-CAPITAL PROJECT FUNDS
 CONSTRUCTION FUNDS
 June 30, 2015

	Greenwood Athletic Construction	Cumberland Trace Construction	Warren Central Construction	Warren East Construction	Rockfield Roof Construction	Lost River Construction	Middle School Construction	Briarwood Addition Construction	Total Construction Funds
Assets									
Cash and Cash Equivalents	\$ -	\$ 57,760	\$ 9,936,914	\$ 943,612		\$ 266,202	\$ 41,409	\$ 225,648	\$ 11,471,545
Total Assets	\$ -	\$ 57,760	\$ 9,936,914	\$ 943,612	\$ -	\$ 266,202	\$ 41,409	\$ 225,648	\$ 11,471,545
Liabilities and Fund Balances									
Liabilities									
Accounts Payable		\$ 20,000	\$ 1,903,932	\$ 33,179					\$ 1,957,111
Fund Balances									
Restricted									
Capital Projects Purchase Obligations		37,760	8,032,982	910,433		\$ 266,202	\$ 41,409	\$ 225,648	9,514,434
Total Liabilities and Fund Balances	\$ -	\$ 57,760	\$ 9,936,914	\$ 943,612	\$ -	\$ 266,202	\$ 41,409	\$ 225,648	\$ 11,471,545

See Independent Auditors' Report

WARREN COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUND-CAPITAL PROJECT FUNDS
 CONSTRUCTION FUNDS
 For the Year Ended June 30, 2015

	Greenwood Athletic Construction	Cumberland Trace Construction	Warren Central Construction	Warren East Construction	Rockfield Roof Construction	Lost River Construction	Middle School Construction	Briarwood Addition Construction	Total Construction Fund
Revenues									
Earnings on Investments		\$ 234	\$ 9,520	\$ 1,449		\$ 1,475	\$ 168	\$ 1,511	\$ 14,357
Expenditures									
Facilities Acquisition & Construction	\$ 11,373		4,411,263	5,139,114	8,500	120,449		148,034	9,838,733
Bond Issuance Cost			302,389	124,004					426,393
Total Expenditures	11,373		4,713,652	5,263,118	8,500	120,449		148,034	10,265,126
Revenues in Excess of (Less Than) Expenditures	(11,373)	234	(4,704,132)	(5,261,669)	(8,500)	(118,974)	168	(146,523)	(10,250,769)
Other Financing Sources									
Proceeds from Issuance of Bonds			13,095,000	5,370,000					18,465,000
Premium on Bonds Sold			33,905	13,904					47,809
Operating Transfers In	11,373			825,000	8,500			4,528	849,401
Total Other Financing Sources	11,373		13,128,905	6,208,904	8,500			4,528	19,362,210
Net Changes in Fund Balances	-	234	8,424,773	947,235	-	(118,974)	168	(141,995)	9,111,441
Fund Balances July 1, 2014		37,526	(391,791)	(36,802)		385,176	41,241	367,643	402,993
Fund Balances June 30, 2015	\$ -	\$ 37,760	\$ 8,032,982	\$ 910,433	\$ -	\$ 266,202	\$ 41,409	\$ 225,648	\$ 9,514,434

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AGENCY FUND FINANCIAL INFORMATION

WARREN COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENTS
SCHOOL ACTIVITY FUNDS (AGENCY FUNDS)
For the Year Ended June 30, 2015

	Cash Balance 7/1/2014	Total Receipts	Total Disburse- ments	Cash Balance 6/30/2015	Accounts Receivable 6/30/2015	Accounts Payable 6/30/2015	Due To Students & Others 6/30/2015
High Schools							
Greenwood	\$ 174,739	\$ 338,046	\$ 398,065	\$ 114,720	\$ 4,238		\$ 118,958
South Warren	100,173	383,416	399,610	83,979			83,979
Warren Central	124,292	184,125	218,363	90,054	300		90,354
Warren East	118,652	275,643	295,696	98,599	2,200	\$ 4,543	96,256
Middle Schools							
Drakes Creek	49,640	99,372	119,574	29,438	20		29,458
Henry F. Moss	26,475	58,397	77,323	7,549		136	7,413
South Warren	55,040	1,403	400	56,043			56,043
Warren East	38,660	73,681	72,584	39,757		10,881	28,876
Elementary Schools							
Alvaton	17,495	361	17,706	150			150
Briarwood	27,668			27,668			27,668
Bristow	20,240	328		20,568			20,568
Cumberland Trace	14,086	15,757	29,356	487			487
Jody Richards	11,888	17,004	28,087	805	31		836
Lost River	24,299	21,353	37,922	7,730			7,730
North Warren	18,652	2,209	16,869	3,992			3,992
Oakland	9,912	8,774	9,165	9,521		300	9,221
Plano	15,441			15,441	71		15,512
Rich Pond	12,626	24,937	33,070	4,493			4,493
Richardsville	55,463	38,442	84,605	9,300			9,300
Rockfield	15,131	21,374	31,314	5,191			5,191
Warren Elem.	17,150	34,476	50,524	1,102			1,102
William H. Natcher	23,539	11,417	33,857	1,099			1,099
Total	\$ 971,261	\$ 1,610,515	\$ 1,954,090	\$ 627,686	\$ 6,860	\$ 15,860	\$ 618,686

See Independent Auditors' Report

**WARREN COUNTY SCHOOL DISTRICT
GREENWOOD HIGH SCHOOL ACTIVITY FUNDS
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENTS
For the Year Ended June 30, 2015**

	Cash Balance 7/1/2014	Receipts	Disburse- ments	Transfers	Cash Balance 6/30/2015	Accounts Receivable 6/30/2015	Accounts Payable 6/30/2015	Due To Students & Others 6/30/2015
General Fund	\$ 1,574	\$ 168	\$ 3,912	\$ 3,514	\$ 1,344			\$ 1,344
Interest Income		650		(603)	47			47
Cash on Hand		2,500	5,000	2,500				
AP Test	7,641	24,274	31,311		604			604
Co-op	415				415			415
Credit Recovery	1,983		1,460	(523)				
Faculty Vending	216	2,344	2,037		523	\$ 1,991		2,514
Field Trips	7,479		10,557	3,078				
Musical	6,620	15,812	16,567		5,865			5,865
Parking Tickets	1,002	1,250	741	(1,511)				
PBIS	63	196	140	522	641			641
Prom	5,052	7,248	3,834		8,466			8,466
Student Council	997	4,532	1,962		3,567			3,567
Student Fees	382		398	16				
Student Vending	641	3,813	3,076		1,378	2,247		3,625
Textbooks	1,122	50	1,172					
Travel	3,078			(3,078)				
Yearbooks	10,372	19,890	30,561	340	41			41
Anthology Club	987			(987)				
Archery		814	80	120	854			854
Art Club	377	3,019	2,405	200	1,191			1,191
Band Club	1,250		1,248		2			2
BETA Club	5,358	12,270	21,470	4,290	448			448
Black History	123			(123)				
Chess Club	92				92			92
Choir Club	3,221	12,879	11,366		4,734			4,734
Design Club	33				33			33
Drama Club	1,827	531	172		2,186			2,186
FBLA Club	878	7,970	7,461	445	1,832			1,832
FCA Club	228	1,105	940		393			393
FCCLA Club	984	4,329	3,349	(445)	1,519			1,519
FEA Club	1,134	460	1,057		537			537
FFA Club	6,389	45,742	48,485		3,646			3,646
Friends Club	277		135		142			142
GAPP Club	867		134		733			733
HOSA Club	238	825	785		278			278
International Club	485	3,046	2,860	1	672			672
Invisible Children Club	334			(334)				
Jr. BETA Club	4,290			(4,290)				
Literature Club	4			(4)				
NHS Club	314	3,916	4,030	(200)				
OAR Club	824	8,200	8,484	400	940			940
Orchestra	369	720	797		292			292
PEP Club	400			(400)				
Philosophy Club	156			(156)				
SADD Club		1,932	1,445		487			487
S.C.E.C. Club	158	200	50		308			308

Continued

**WARREN COUNTY SCHOOL DISTRICT
GREENWOOD HIGH SCHOOL ACTIVITY FUNDS
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENTS
For the Year Ended June 30, 2015**

	Cash Balance 7/1/2014	Receipts	Disburse- ments	Transfers	Cash Balance 6/30/2015	Accounts Receivable 6/30/2015	Accounts Payable 6/30/2015	Due To Students & Others 6/30/2015
Science Club	359	1,334	1,163		530			530
Spanish Club	313	100			413			413
STLP Club	207	883	564	(11)	515			515
TARS Club	1,644	11,530	13,328	154				
YADS	124			(124)				
YELP Club	273				273			273
Athletic Director	585			(585)				
Athletic Special	1,923	9,830	9,277	(2,310)	166			166
Baseball		6,428	6,731	303				
Tournament	388	5,151	1,679	(388)	3,472			3,472
Basketball -Boys	13,362	12,189	9,164		16,387			16,387
Basketball - Girls	3,676	10,675	7,565		6,786			6,786
Bowling - Boys			1,348	1,348				
Bowling - Girls			75	75				
Cheerleading			1,277	1,277				
Cross Country - Boys	1,391		515		876			876
Cross Country - Girls	1,517		515		1,002			1,002
Football	22,300	27,816	23,562	(5,423)	21,131			21,131
Golf - Boys			1,000	1,000				
Golf - Girls			965	965				
Hall of Fame	29				29			29
Lacrosse	120			(120)				
Rivals Bowl		6,287	3,245	(3,042)				
Soccer - Boys	961	5,681	3,335		3,307			3,307
Soccer - Girls	6,565	3,887	4,584		5,868			5,868
Girls District Soccer		2,920	2,224		696			696
Softball		4,274	4,876	602				
Swimming - Boys			992	992				
Swimming - Girls			1,115	1,115				
Tennis - Boys			1,433	1,433				
Track - Boys	573	2,529	1,550		1,552			1,552
Track - Girls	573	2,529	1,530		1,572			1,572
Volleyball	1,836	3,442	4,014		1,264			1,264
Art Dept	19	170		(189)				
English Dept	5,000		5,000					
ESL	1				1			1
Family Consumer Science	4,509		4,509					
Guidance Dept.	1,721	1,282	3,003					
JROTC Dept	1,963	7,216	9,193	1,120	1,106			1,106
JROTC Spec Dept	1,120			(1,120)				
Library Dept.	2,102	111	2,213					
Math Dept	110		109		1			1
Newspaper Dept	498		600	160	58			58
Photography Dept	178				178			178
Science Dept	2,395	1,120	3,515					
Social Studies Dept	2,973		2,973					
Voc. Ag. Dept	12,539	18,338	29,343	(4)	1,530			1,530
Donations	658	1,639	500		1,797			1,797
Total	\$ 174,739	\$ 338,046	\$ 398,065	\$	\$ 114,720	\$ 4,238	\$	\$118,958

See Independent Auditors' Report

WARREN COUNTY SCHOOL DISTRICT
SOUTH WARREN HIGH SCHOOL ACTIVITY FUNDS
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENTS
For the Year Ended June 30, 2015

	Cash Balance 7/1/2014	Receipts	Disburse- ments	Transfers	Cash Balance 6/30/2015	Accounts Receivable 6/30/2015	Accounts Payable 6/30/2015	Due To Students & Others 6/30/2015
General Fund	\$ 9,186	\$ 4,630	\$ 6,695	\$ (5,750)	\$ 1,371			\$ 1,371
Interest Income		412		(412)				
AP Test	1,791	1,916	3,707					
Aviation	150	250	400					
Faculty Vending	553	786	464		875			875
Musical	15,996	42,787	40,826	269	18,226			18,226
PBIS	48				48			48
Prom	2,971	10,008	10,821	(250)	1,908			1,908
Science Trips	80	24,804	24,658	(63)	163			163
Student Council	3,084	8,623	8,178	(1,035)	2,494			2,494
Student Vending	4,440	4,982	4,993	(2,882)	1,547			1,547
Sunshine Fund	311		276	(35)				
Textbooks	2,559	199	2,758					
Yearbooks	8,730	12,590	21,350	30				
Academic Team Club	296	1,478	1,087	74	761			761
Art Club	1,182	702	352		1,532			1,532
BETA Club	1,612	29,483	26,361	632	5,366			5,366
Choir Club	1,622	9,934	8,580	50	3,026			3,026
Club 14:23	10				10			10
Drama Club	270			(270)				
Fashion Club	1,179	2,155	8,535	6,728	1,527			1,527
FBLA Club	319	12,597	12,496	(365)	55			55
FCA Club	79	165	138		106			106
FCCLA Club	209	4,354	3,583	(858)	122			122
FFA Club	3,243	31,181	29,303	(1,095)	4,026			4,026
History Club	113	10,900	11,013					
Jr. BETA Club	771			(771)				
KEY Club	6	337	190		153			153
Kentucky Youth Assembly	41	11,730	11,733		38			38
NHS Club	112	1,249	1,358		3			3
Orchestra	30	293	323					
Quidditch Club	142			(142)				
SCEC Club	1,013	2,062	2,395		680			680
Science Club	289	440		83	812			812
Spear-It	1,317	1,152	315	(746)	1,408			1,408
Speech Club	59	1,193	1,013	(59)	180			180
STLP Club	441	285	407		319			319
Athletic Special		34,214	27,550	(4,025)	2,639			2,639
Baseball	4,733	4,105	7,967	176	1,047			1,047
Basketball - Boys	677	8,352	8,037	955	1,947			1,947
Basketball - Girls	4,627	8,489	7,375	1,100	6,841			6,841
Bowling - Boys	334	240	247	252	579			579
Bowling - Girls	250	330	246	350	684			684
Cheerleading	499		504	5				
Cross Country	2,250		1,734	1,734	2,250			2,250
Football	968	20,550	18,221	(128)	3,169			3,169
Fourth Region AD	714	1,200	860	75	1,129			1,129
Golf - Boys	1,200	400	1,605	1,205	1,200			1,200
Golf - Girls	1,200		1,185	1,195	1,210			1,210

Continued

**WARREN COUNTY SCHOOL DISTRICT
SOUTH WARREN HIGH SCHOOL ACTIVITY FUNDS
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENTS
For the Year Ended June 30, 2015**

	Cash Balance 7/1/2014	Receipts	Disburse- ments	Transfers	Cash Balance 6/30/2015	Accounts Receivable 6/30/2015	Accounts Payable 6/30/2015	Due To Students & Others 6/30/2015
Regionals		39,375	39,375					
Soccer - Boys	1,772	5,368	4,409	(256)	2,475			2,475
Soccer - Girls	1,339	1,785	1,745	(6)	1,373			1,373
Softball	1,152	3,683	2,680		2,155			2,155
Swimming	1,000		1,430	1,430	1,000			1,000
Tennis - Boys	400		408	400	392			392
Tennis - Girls	400		380	343	363			363
Track	2,000		1,450	820	1,370			1,370
Volleyball	40	3,153	2,238	(60)	895			895
Family Consumer Science	20			(20)				
GAT Dept	969	1,500	1,897	730	1,302			1,302
Guidance Dept.	468	45		(50)	463			463
Library Dept.	1,213	67	1,250	(30)				
Math Dept.		240	240					
Science Dept	152	2,970	3,122					
The Spartan Spoon	779	864	928	(73)	642			642
Voc. Ag. Dept	6,758	12,694	18,104	250	1,598			1,598
Odyssey of the Mind Team	5			(5)				
District Sweep Acct.		115	115	500	500			500
Total	\$ 100,173	\$ 383,416	\$ 399,610	\$	\$ 83,979	\$	\$	\$ 83,979

See Independent Auditors' Report

WARREN COUNTY SCHOOL DISTRICT
WARREN CENTRAL HIGH SCHOOL ACTIVITY FUNDS
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENTS
For the Year Ended June 30, 2015

	Cash Balance 7/1/2014	Receipts	Disburse- ments	Transfers	Cash Balance 6/30/2015	Accounts Receivable 6/30/2015	Accounts Payable 6/30/2015	Due To Students & Others 6/30/2015
General Fund	\$ 892	\$ 4,187	\$ 5,366	\$ 3,808	\$ 3,521			\$ 3,521
Interest Income		446		(446)				
AP Test	3,046	7,413	10,640	181				
Facility Rental	3,400		3,400					
Faculty Vending	3,216	2,071	3,383		1,904	\$ 300		2,204
Field Trips	4,259	1,000	3,000	(2,259)				
KYCID	587			(587)				
Prom	9,879	5,425	8,158		7,146			7,146
Student Council	379			277	656			656
Student Vending	446		413	(33)				
Sunshine Fund	596		596					
Textbooks	2,230	213	2,443					
Warren Central College Academy	512	1,074	1,586					
Yearbooks	1,056	4,964	6,020					
Afro American Club	219			(219)				
Band Club	420	55	195		280			280
BETA Club	2,525	1,598	1,610	(25)	2,488			2,488
Biology Club	161				161			161
Bosnian Amer. Club	1,030	54			1,084			1,084
Chemistry Club	1,271	98	354		1,015			1,015
Chess Club	25	43			68			68
Computer Club	1,830	280	2,110					
Drama Club	2,517		2,517					
FBLA Club	157	3,569	3,265		461			461
FCA Club	1,552	1,051	2,117		486			486
FCCLA Club	320	9,918	8,688		1,550			1,550
FFA Club	7,915	16,768	16,540	140	8,283			8,283
KY Jr. Historical Club		512		(512)				
Literary Club	18			(18)				
Natl Sch. Sportsman	684		684					
Physics Un-Club	361	130		(182)	309			309
Power Lifting Club	1,694	100		(1,794)				
SCEC Club	255				255			255
Spanish Club	195				195			195
STLP Club	1,424	422	446		1,400			1,400
Writer's Ink Club	769			(50)	719			719
Young Democrats	441				441			441
Men of Distinction	20			(20)				
Young Republicans	496				496			496
Athletics Hall of Fame	1,447	1,281	778		1,950			1,950
Athletic Special	1,389	4,769	4,572	(14)	1,572			1,572
Baseball	2,585	6,654	3,480		5,759			5,759
Basketball - Boys	13,010	21,598	22,026	(1,566)	11,016			11,016
Basketball - Girls	5,259	8,048	13,099	1,401	1,609			1,609
Bass Fishing	212			(212)				
Bowling - Boys	532	747	1,157	165	287			287
Bowling - Girls	394	420	579		235			235
Cheerleading	396		110		286			286

Continued

WARREN COUNTY SCHOOL DISTRICT
WARREN CENTRAL HIGH SCHOOL ACTIVITY FUNDS
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENTS - Continued
For the Year Ended June 30, 2015

	Cash Balance 7/1/2014	Receipts	Disburse- ments	Transfers	Cash Balance 6/30/2015	Accounts Receivable 6/30/2015	Accounts Payable 6/30/2015	Due To Students & Others 6/30/2015
Cross Country	1,432		424		1,008			1,008
Football	7,674	26,358	22,110	8,066	19,988			19,988
Golf	369		384	15				
Rivals Bowl	5,000	9,792	8,506	(6,286)				
Soccer - Boys	2,316	3,185	2,839		2,662			2,662
Soccer - Girls	1,367	2,921	2,424		1,864			1,864
Softball		2,205	1,250		955			955
Tennis - Boys	209	879	598		490			490
Tennis - Girls	305	878	659		524			524
Track	427	2,608	2,640		395			395
Volleyball	1,103	10,728	9,467	(125)	2,239			2,239
Art Dept.	810	25			835			835
Family Science Dept.	556	2,324	2,880					
Freshman Acad Dept.	15			(15)				
Global Learning Acad	321				321			321
JROTC Dept.	1,514	9,701	9,752	512	1,975			1,975
Library Dept.	4,367	578	4,945					
Music Dept.	1,291	1,838	2,211	75	993			993
Voc. Ag. Dept	11,098	4,878	15,976					
Habitat for Humanity Chapter	173				173			173
Renaissance	404		127	(277)				
Target	1,520	319	1,839					
Total	\$ 124,292	\$ 184,125	\$ 218,363	\$	\$ 90,054	\$ 300	\$	\$ 90,354

See Independent Auditors' Report

**WARREN COUNTY SCHOOL DISTRICT
WARREN EAST HIGH SCHOOL ACTIVITY FUNDS
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENTS
For the Year Ended June 30, 2015**

	Cash Balance 7/1/2014	Receipts	Disburse- ments	Transfers	Cash Balance 6/30/2015	Accounts Receivable 6/30/2015	Accounts Payable 6/30/2015	Due To Students & Others 6/30/2015
General Fund	\$ 11,244	\$ 5,035	\$ 2,490	\$ 4,110	\$ 17,899			\$ 17,899
Due to Student Body				(378)	(378)			(378)
Interest Income	377	485		(485)	377			377
AP Test	10,033	8,843	18,875		1			1
Enrichment	825		366	(459)				
Faculty Vending	1,872	3,013	3,408	(205)	1,272	\$ 350		1,622
Field Trips	662	340	1,002					
Flower Fund	54			(54)				
Musical	3,572	11,499	7,719		7,352			7,352
Smart Cards	84	548	448		184			184
Student Government		256	239		17			17
Student Rewards	1,624	4,477	4,447		1,654		\$ 40	1,614
Textbooks	825	10	835					
WKU Graduation Video	265			(265)				
Yearbooks	15,676	20,543	36,589	400	30			30
Academic Team Club	2	451	89		364			364
Afro American Club	162				162			162
Art Club	262	1,038	1,229		71			71
Archery Club	350	5,751	5,931	370	540			540
Band Club		148		70	218			218
BETA Club	746	6,124	6,015	429	1,284			1,284
CEC Club	26				26			26
Choir Club	171	5,124	3,047		2,248			2,248
FBLA Club	1,945	4,657	5,251	125	1,476			1,476
FCA Club	316				316			316
FCCLA Club	356	4,767	4,834		289			289
FEA Club	2,079		581	581	2,079			2,079
FFA Club	1,656	53,317	52,145	(776)	2,052			2,052
International Club	3,963				3,963			3,963
Jr. BETA Club	429			(429)				
KEY Club	10				10			10
Kentucky Youth Assembly		3,340	3,285	500	555			555
Math Club	3,592	91			3,683			3,683
NHS Club	618	690	599		709			709
PEP Club	242	1,940	1,363	(500)	319			319
PRIDE Club	566			(127)	439			439
Science Club	1,327	740	883		1,184			1,184
TSA Club	1				1			1
Athletic Special	3,125	4,190	8,681	5,774	4,408			4,408
Baseball	125	5,024	4,816	150	483			483
Tournament		23,780	23,814	34				
Basketball - Boys	3,870	10,916	10,374	(2,207)	2,205			2,205
Basketball - Girls	5,680	6,834	8,237	(288)	3,989			3,989
Bass Fishing	114	100	100		114			114
Bowling - Boys	556	6,234	6,085	110	815			815

Continued

**WARREN COUNTY SCHOOL DISTRICT
WARREN EAST HIGH SCHOOL ACTIVITY FUNDS
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENTS - Continued
For the Year Ended June 30, 2015**

	Cash Balance 7/1/2014	Receipts	Disburse- ments	Transfers	Cash Balance 6/30/2015	Accounts Receivable 6/30/2015	Accounts Payable 6/30/2015	Due To Students & Others 6/30/2015
Cheerleading	1,777		800	1,170	2,147			2,147
Cross Country		30	90	60				
Drill Team	191				191			191
Football	3,020	22,357	11,922	(3,490)	9,965			9,965
Football Playoffs		1,864	1,356	(508)				
Soccer - Boys	1,190	2,164	2,136	(90)	1,128			1,128
Soccer - Girls	2,011	3,002	4,248		765			765
Softball	10	2,400	2,177	418	651	1,790	2,714	(273)
Softball - 4th Reg Tourn		9,689	8,461	(478)	750			750
Tennis	602	30			632			632
Track		10		(10)				
Volleyball	1,357	3,864	3,115		2,106			2,106
Class Officers	995				995			995
Class of 2014	2,298		103	(2,195)				
Class of 2015	6,224	240	1,503	(4,961)				
Class of 2016		7,495	4,455	4,500	7,540		348	7,192
Business Dept.	9		9					
Drama Dept.	138			(138)				
Freshman Acad Dept.	341	50		(391)				
GAT Dept.	96	300	396					
Global Learning Acad.	204			(204)				
Horticulture Dept.	8,468	8,938	17,315	(91)				
JROTC Dept.	4,248	8,101	8,675		3,674		210	3,464
Language Arts Dept	145	15	160					
Library Dept.	1,354	771	894		1,231		1,231	
Science Dept.	149		149					
Special Educ. Dept.	828		828					
Speech Dept.	28	1,697	1,725					
Renaissance-Donations	3,567	2,321	1,402	(72)	4,414	60		4,474
Total	\$ 118,652	\$ 275,643	\$ 295,696	\$	\$ 98,599	\$ 2,200	\$ 4,543	\$ 96,256

See Independent Auditors' Report

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

WARREN COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
As of June 30, 2015

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<u>US Department of Agriculture:</u>			
Pass-through programs from:			
KY Dept of Education:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	57505-02-Z, 57506-02-Z, 57506-08-Z	\$ 4,126,731
School Breakfast Program	10.553	57605-05-Z, 57606-02-Z	1,506,865
Summer Food Service Program for Children	10.559	57405-23-Z, 56905-24-Z	52,186
Total Child Nutrition Cluster			<u>5,685,782</u>
Fresh Fruit and Vegetable Program	10.582	Grant #2154	<u>56,559</u>
Total Kentucky Department of Education			<u>5,742,341</u>
Pass-through programs from:			
KY Dept of Agriculture:			
Commodity Supplemental Food Program	10.565	N/A	<u>336,881</u>
Total US Department of Agriculture			<u>6,079,222</u>
<u>Department of Education</u>			
Pass-through programs from:			
KY Dept of Education:			
Race To The Top - District Grants	84.413A	Grant# 4521	16,035
Adult Education - Basic Grants to States	84.002	Grant #371A	27,430
Adult Education - Basic Grants to States	84.002	Grant# 3714	3,000
Total Adult Education - Basic Grants to States			<u>30,430</u>
Special Education - Grants to States (IDEA, Part B)	84.027A	58104-02-Z, 58105-02-Z, 58106-02-Z	608
Special Education - Grants to States (IDEA, Part B)	84.027A	58104-02-Z, 58105-02-Z, 58106-02-Z	325,309
Special Education - Grants to States (IDEA, Part B)	84.027A	58104-02-Z, 58105-02-Z, 58106-02-Z	1,964,993
Special Education - Preschool Grants (IDEA Preschool)	84.173A	58705-02-Z, 58706-02-Z	10,579
Special Education - Preschool Grants (IDEA Preschool)	84.173A	58705-02-Z, 58706-02-Z	<u>60,884</u>
Total Special Education (IDEA) Cluster			2,362,373
Title I Grants to Local Educational Agencies (LEAs)	84.010A	35104-09-Z,35105-09-Z,35106-09-Z	4,989
Title I Grants to Local Educational Agencies (LEAs)	84.010A	35104-09-Z,35105-09-Z,35106-09-Z	680,862
Title I Grants to Local Educational Agencies (LEAs)	84.010A	35104-09-Z,35105-09-Z,35106-09-Z	2,364,432
Title I-Delinquent Children in LEA Operated Institutes	84.010A	Grant #3144	60,171
Title I-Delinquent Children in LEA Operated Institutes	84.010A	Grant #314A	99,997
Title I-Part C Migrant	84.011A	Grant #311A	<u>36,561</u>
Total Title I Grants to Local Educational Agencies (LEAs)			3,247,012
Title I-State Agency Program for Neglected and Delinquent Children and Youth	84.013	Grant #3134	1,159
Title I-State Agency Program for Neglected and Delinquent Children and Youth	84.013	Grant #3134	<u>17,825</u>
Total Title I-State Agency Program for Neglected and Delinquent Children and Youth			18,984
Career and Technical Education - Basic Grants to States (Perkins IV)	84.048	46206-10-Z, 46205-32-Z, 46206-32-Z	1,627
Career and Technical Education - Basic Grants to States (Perkins IV)	84.048	46206-10-Z, 46205-32-Z, 46206-32-Z	5,188
Career and Technical Education - Basic Grants to States (Perkins IV)	84.048	46206-10-Z, 46205-32-Z, 46206-32-Z	5,851
Career and Technical Education - Basic Grants to States (Perkins IV)	84.048	46206-10-Z, 46205-32-Z, 46206-32-Z	<u>121,354</u>
Total Career and Technical Education - Basic Grants to States (Perkins IV)			134,020
Title III - English Language Acquisition State Grants	84.365A	52005-02-Z, 52006-02-Z	67,259
Title III - English Language Acquisition State Grants - Immigrant	84.365A	52005-02-Z, 52006-02-Z	<u>178,058</u>
Total Title III - English Language Acquisition State Grants			245,317
Title II - Improving Teacher Quality State Grants	84.367A	71005-02-Z, 71006-02-Z, 71004-03-Z	1,295
Title II - Improving Teacher Quality State Grants	84.367A	71005-02-Z, 71006-02-Z, 71004-03-Z	<u>397,251</u>
Total Title II - Improving Teacher Quality State Grants			398,546

Continued

WARREN COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued
As of June 30, 2015

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
Green River Regional Education Cooperative			
Race To The Top - District Grants	84.416A	Grant #4364	628
Race To The Top - District Grants	84.416A	Grant #436A	4,450
Total Green River Regional Education Cooperative			<u>5,078</u>
Total Department of Education			<u>6,457,795</u>
<u>Department of Health and Human Services</u>			
Pass-through programs from:			
Catholic Charities of Louisville			
Refugee and Entrant Assistance - Discretionary Grants	93.576	90ZE0175/01	36,363
Refugee and Entrant Assistance - Discretionary Grants	93.576	90ZE0175/01	31,112
Total Department of Health and Human Services			<u>67,475</u>
<u>Corporation for National and Community Service:</u>			
US Department of Defense:			
ROTC Language and Culture Training Grants	12.357	Grant# 504A	115,886
Total Corporation for National and Community Service			<u>115,886</u>
Total Expenditures of Federal Awards			<u>\$ 12,720,378</u>

See Notes to Schedule of Expenditures of Federal Awards
and the Independent Auditors' Report

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

NOTE A – BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the District and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

NOTE B – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule at the fair value of the commodities received and disbursed. During the fiscal year ended June 30, 2015, the District received \$461,415 in donated food commodities. During the year the District consumed \$413,798 in donated food commodities, leaving a remaining amount of donated food commodities in inventory, valued at \$77,574.

REPORTS REQUIRED BY THE SINGLE AUDIT ACT

**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***



**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**

Members of the Board
Warren County District
Bowling Green, 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 the Warren County School District (the "District") as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 11, 2016.

Internal Control Over Financial Reporting

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

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

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

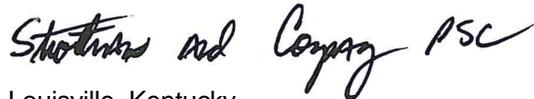
Compliance and Other Matters

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

In addition, the results of our tests disclosed no material instances of noncompliance with specific statutes or regulations identified in the *Kentucky Public School District's Audit Contract and Requirements* prescribed by the Kentucky State Committee for School District Audits.

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Louisville, Kentucky
March 11, 2016

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

Strothman and Company
Certified Public Accountants and Advisors
1600 Waterfront Plaza
325 West Main Street
Louisville, KY 40202
502 585 1600



**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
Warren County School District
Bowling Green, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Warren County School District (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. The District's major federal programs are identified in the Summary of Audit Results Section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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


Louisville, Kentucky
November 7, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Schedule of Findings and Questioned Costs

Warren County School District

Year Ended June 30, 2015

Section I – Summary of Audit Results

1. The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the Warren County School District (the "District").
2. No significant deficiencies relating to the audit of the financial statements were reported.
3. No instances of noncompliance material to the financial statements of the District were disclosed during the audit.
4. No significant deficiencies in internal control relating to the audit of the major federal award programs are reported.
5. The auditors' report on compliance for the major federal programs of the District expresses an unmodified opinion.
6. There were no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs include:

<u>Federal Grantor/Program Title</u>	<u>CFDA Number</u>
US Department of Education:	
Passed Through Kentucky Department of Education:	
Title I Grants to Local Educational Agencies (LEAs)	84.010A
Title I Grants to Local Educational Agencies (LEAs)	84.010A
Title I Grants to Local Educational Agencies (LEAs)	84.010A
Title I-Delinquent Children in LEA Operated Institutes	84.010A
Title I-Delinquent Children in LEA Operated Institutes	84.010A
Title II - Improving Teacher Quality State Grants	84.367A

8. The threshold used for distinguishing Types A programs was \$381,239.
9. The District qualified to be audited as a low-risk auditee.

Continued

Schedule of Findings and Questioned Costs--Continued

Warren County School District

Year Ended June 30, 2015

Section II--Findings – Financial Statement Audit

There are no findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

Section III--Findings and Questioned Costs – Major Federal Programs Audit

There are no findings or questioned costs related to the major federal programs which are required to be reported in accordance with OMB Circular A-133.

SCHEDULE OF PRIOR AUDIT FINDINGS

Schedule of Prior Audit Findings

Warren County School District

Year Ended June 30, 2015

Section II--Findings – Financial Statement Audit

There were no findings related to the financial statements which were required to be reported in accordance with *Government Auditing Standards*.

Section III--Findings and Questioned Costs – Major Federal Programs Audit

There were no findings or questioned costs related to the major federal programs which were required to be reported in accordance with OMB Circular A-133.