

**BATH COUNTY SCHOOL DISTRICT**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2015**

**TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS**

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## INDEPENDENT AUDITOR'S REPORT

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

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

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

## **Emphasis of Matter**

As described in Note 15 to the financial statements, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, effective July 1, 2014. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis information on pages 6 through 9 and the Schedule of District's Proportionate Share of the Net Pension Liability and Schedule of Pension Contributions on pages 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bath County School District's basic financial statements. The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2015, on our consideration of Bath County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Kelley Ballouay Smith Doolby, PSC*

November 6, 2015  
Ashland, Kentucky

**BATH COUNTY SCHOOL DISTRICT  
OWINGSVILLE, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)  
FOR THE YEAR ENDED JUNE 30, 2015**

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

**FINANCIAL HIGHLIGHTS**

- The beginning cash balance for all funds of the District, excluding agency funds, was approximately \$10,113,323 and the ending balance was approximately \$5,248,861, a decrease of approximately \$4,864,462 for the year primarily due to spending construction funds carried over from the prior year.
- The General Fund had \$15,269,892 in revenue, which consisted primarily of the State program (SEEK), and property, utilities, and motor vehicle taxes. Excluding interfund transfers, there was \$15,823,437 in General Fund expenditures.
- Bonds are issued as the District renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations. The District's total debt decreased by \$1,043,078 during the current fiscal year.
- The District implemented GASB 68 this year. There are two sources of pension liabilities with which the District has to contend. The Kentucky Teachers Retirement System covers the District's professional staff members. It had analysis performed by Cavanaugh Macdonald Consulting, LLC to determine each Kentucky school district's share of pension liabilities for its professional staff. This debt is the responsibility of the State of Kentucky. The District's allocated amount was \$55,311,681, as of June 30, 2014. The District's non-professional staff members are covered by the Kentucky County Employee Retirement System. Under this system the District's share of the pension liabilities was \$3,425,000, as of June 30, 2014. The District does not believe these disclosures will have a major impact on their day to day operations or the financial health of District. The District's bond rating is based on the State's rating so the District has little control over its cost of borrowing.

**OVERVIEW OF FINANCIAL STATEMENTS**

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

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

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

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues

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

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (government activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt are also supported by taxes and intergovernmental revenues. The government-wide financial statements can be found on pages 10 and 11 of this report.

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

The basic fund financial statements can be found on pages 12 through 22 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 - 41 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by approximately \$9.9 million as of June 30, 2015.

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

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

### Net Position for the period ending June 30, 2015

	2015	(As restated) 2014
Current Assets	\$ 6,113,222	\$ 10,469,639
Noncurrent Assets	27,830,986	25,812,712
Total Assets	<u>33,944,208</u>	<u>36,282,351</u>
Deferred Outflows	762,036	795,556
Current Liabilities	6,470,995	4,743,315
Noncurrent Liabilities	18,351,078	23,419,120
Total Liabilities	<u>24,822,073</u>	<u>28,162,435</u>

Deferred Inflows	382,000	-
Net Position		
Net investment in capital assets	8,739,375	5,624,860
Restricted	370,307	3,107,834
Unrestricted	392,489	182,778
Total Net Position	<u>\$ 9,502,171</u>	<u>\$ 8,915,472</u>

### Comments on Budget Comparisons

- The District's total governmental funds revenues for the fiscal year ended June 30, 2015, net of interfund transfers and bond proceeds were \$19,904,870, compared with \$18,911,141 in 2014. This increase is a result of a increase in grant funding in the current year.
- After adjustments for contingency, the General fund budget compared to actual expenditures varied modestly from line item to line item with the ending actual balance being \$2.1 million less than budget or approximately 14.3%.
- The total cost of all programs and services for governmental funds was \$22,726,856, compared with \$23,312,612 in 2014.

The following table presents a summary of all governmental activities and business-type activities revenues and expenses for the fiscal year ended June 30, 2015, with comparison to 2014.

	<u>2015</u>	<u>2014</u>
<b>Revenues:</b>		
Local Revenue Sources	\$ 3,256,679	\$ 3,029,085
State and Federal Revenue Sources	19,888,138	17,337,049
Total Revenues	<u>23,144,817</u>	<u>20,366,134</u>
<b>Expenses:</b>		
Instruction	12,591,869	10,428,271
Student Support Services	1,327,594	1,152,652
Instructional Support	579,668	552,036
District Administration	1,019,930	963,595
School Administration	1,038,454	1,011,961
Business and Other Support Services	380,398	348,199
Plant Operations	1,705,342	1,764,275
Student Transportation	1,472,302	1,284,609
Food Service Operations	1,405,704	1,317,858
Child Care Services	151,790	156,364
Community Services	362,259	232,549
Debt service	522,808	544,661
Total Expenses	<u>22,558,118</u>	<u>19,848,030</u>
Revenues Over (Under) Expenses	<u>\$ 586,699</u>	<u>\$ 518,104</u>

### Governmental Funds Revenue

The majority of revenue was derived from state funding making up 73% and federal funding of 13% of total revenue. Local revenues make up 14% of total revenue (16% in 2014).

### District-Wide Support Allocation

District-wide support services expenses were Transportation 7%, Maintenance & Operations 8%, and Business Functions 2%.

## **Capital Assets**

At the end of June 30, 2015, the District's investment in capital assets for its governmental and business-type activities was \$27,830,986, representing an increase of \$2,018,274, net of depreciation, from the prior year. Construction in progress increased significantly due to major renovations at Owingsville Elementary during the fiscal year ended June 30, 2015.

## **Debt Service**

At year-end, the District had approximately \$19.5 million in outstanding debt, compared to \$20.5 million last year. The District continues to maintain favorable debt ratings from Moody's and Standard & Poor's.

## **Budgetary Implications**

In Kentucky the public school fiscal year is July 1 - June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the District overall budget. By law the budget must have a minimum 2% contingency. The District adopted a budget with approximately \$410,661 in contingency (2.41%). The general fund cash balance for beginning the next fiscal year is \$4,196,908.

Results of the current fiscal year and recent historical trends for the District were taken into account when preparing the subsequent year budget. No significant changes in revenue or expense items are foreseeable. The District's tax rates and tax base remain effectively the same. The District has assessed and considered underlying economical and funding factors at the federal, state, and local levels and other non-financial areas including demographics, local economy and risk of loss of student population that may have a significant impact on the financial statements when preparing subsequent year budgets.

Questions regarding this report should be directed to the Superintendent or to the Finance Officer at (606) 674-6314.

BATH COUNTY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2015

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 4,812,720	\$ 635,816	\$ 5,448,536
Receivables (net of allowances for uncollectibles):			
Taxes	26,138	-	26,138
Other	44,617	4,691	49,308
Intergovernmental	562,688	17,797	580,485
Inventories	-	8,755	8,755
Capital assets, not being depreciated	6,037,745	-	6,037,745
Capital assets, being depreciated, net	21,330,570	462,671	21,793,241
Total assets	<u>32,814,478</u>	<u>1,129,730</u>	<u>33,944,208</u>
<b>Deferred Outflows of Resources</b>			
Deferred savings from refunding bonds	295,329	-	295,329
Deferred pension contributions	404,034	62,673	466,707
Total deferred outflows of resources	<u>699,363</u>	<u>62,673</u>	<u>762,036</u>
<b>Liabilities</b>			
Accounts payable	435,138	8,265	443,403
Cash deficit balance	199,675	-	199,675
Deferred revenue	346,356	-	346,356
Accrued salaries and benefits	680,097	-	680,097
Portion due or payable within one year:			
Debt obligations	1,297,365	-	1,297,365
KSBIT payable	15,982	-	15,982
Interest payable	63,117	-	63,117
Noncurrent liabilities:			
Net pension liability	2,965,067	459,933	3,425,000
Portion due or payable after one year:			
Debt obligations	18,089,575	-	18,089,575
KSBIT payable	79,911	-	79,911
Accrued sick leave	181,592	-	181,592
Total liabilities	<u>24,353,875</u>	<u>468,198</u>	<u>24,822,073</u>
<b>Deferred inflows of resources</b>			
Deferred pension investment earnings	330,702	51,298	382,000
Total deferred inflows of resources	<u>330,702</u>	<u>51,298</u>	<u>382,000</u>
<b>Net Position</b>			
Net investment in capital assets	8,276,704	462,671	8,739,375
Restricted for:			
Capital projects	160,071	-	160,071
Other purposes	-	210,236	210,236
Unrestricted	392,489	-	392,489
Total net position	<u>\$ 8,829,264</u>	<u>\$ 672,907</u>	<u>\$ 9,502,171</u>

The accompanying notes to financial statements are an integral part of this statement.

BATH COUNTY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary government:</b>							
Governmental activities:							
Instruction	\$ 12,591,869	\$ 1,950	\$ 1,427,248	\$ -	\$ (11,162,671)	\$ -	\$ (11,162,671)
Support services:							
Students	1,327,594	148,946	109,052	-	(1,069,596)	-	(1,069,596)
Instructional staff	579,668	-	352,951	-	(226,717)	-	(226,717)
District administration	1,019,930	-	18,021	-	(1,001,909)	-	(1,001,909)
School administration	1,038,454	-	-	-	(1,038,454)	-	(1,038,454)
Business and other support services	380,398	-	-	-	(380,398)	-	(380,398)
Operation and maintenance of plant	1,705,342	-	29,498	-	(1,675,844)	-	(1,675,844)
Student transportation	1,472,302	-	65,564	-	(1,406,738)	-	(1,406,738)
Food service	1,026	-	1,026	-	-	-	-
Community services	362,259	-	305,870	-	(56,389)	-	(56,389)
Debt service	522,808	-	-	1,573,459	1,050,651	-	1,050,651
Total governmental activities	<u>21,001,650</u>	<u>150,896</u>	<u>2,309,230</u>	<u>1,573,459</u>	<u>(16,968,065)</u>	<u>-</u>	<u>(16,968,065)</u>
Business-type activities:							
Food service	1,404,678	69,708	1,372,331	-	-	37,361	37,361
Child Care	151,790	110,028	38,549	-	-	(3,213)	(3,213)
Total business-type activities	<u>1,556,468</u>	<u>179,736</u>	<u>1,410,880</u>	<u>-</u>	<u>-</u>	<u>34,148</u>	<u>34,148</u>
Total primary government	<u>\$ 22,558,118</u>	<u>\$ 330,632</u>	<u>\$ 3,720,110</u>	<u>\$ 1,573,459</u>	<u>\$ (16,968,065)</u>	<u>\$ 34,148</u>	<u>\$ (16,933,917)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					\$ 1,719,575	\$ -	\$ 1,719,575
Motor vehicle					282,954	-	282,954
Utilities					610,507	-	610,507
Intergovernmental revenues:							
State					14,594,569	-	14,594,569
Investment earnings					148,890	446	149,336
Loss on sale of assets					(5,548)	-	(5,548)
Other local revenues					43,527	-	43,527
Total general revenues and transfers					<u>17,394,474</u>	<u>446</u>	<u>17,394,920</u>
Change in net position					426,409	34,594	461,003
Net position June 30, 2014, as restated					<u>8,277,159</u>	<u>638,313</u>	<u>8,915,472</u>
Net position, June 30, 2015					<u>\$ 8,703,568</u>	<u>\$ 672,907</u>	<u>\$ 9,376,475</u>

The accompanying notes to financial statements are an integral part of this statement.

BATH COUNTY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 4,196,908	\$ -	\$ 434,724	\$ 181,088	\$ 4,812,720
Receivables (net of allowances for uncollectibles):					
Property taxes	26,138	-	-	-	26,138
Other	44,617	-	-	-	44,617
Intergovernmental - state	9,706	552,982	-	-	562,688
Intergovernmental - federal	-	-	-	-	-
Total assets	<u>\$ 4,277,369</u>	<u>\$ 552,982</u>	<u>\$ 434,724</u>	<u>\$ 181,088</u>	<u>\$ 5,446,163</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 333,106	\$ 6,951	\$ 95,081	\$ -	\$ 435,138
Cash deficit balance	-	199,675	-	-	199,675
Accrued salaries and benefits	680,097	-	-	-	680,097
Deferred revenue	-	346,356	-	-	346,356
Total liabilities	<u>1,013,203</u>	<u>552,982</u>	<u>95,081</u>	<u>-</u>	<u>1,661,266</u>
<b>Fund balances:</b>					
Restricted	50	-	339,643	92,813	432,506
Committed	71,796	-	-	88,275	160,071
Unassigned	3,192,320	-	-	-	3,192,320
Total fund balances	<u>3,264,166</u>	<u>-</u>	<u>339,643</u>	<u>181,088</u>	<u>3,784,897</u>
Total liabilities and fund balances	<u>\$ 4,277,369</u>	<u>\$ 552,982</u>	<u>\$ 434,724</u>	<u>\$ 181,088</u>	<u>\$ 5,446,163</u>

The accompanying notes to financial statements are an integral part of this statement.

BATH COUNTY SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2015

Fund balances—total governmental funds		\$ 3,784,897
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		27,368,315
Certain other assets and liabilities are not available to pay current period expenditures and therefore, not reported in the funds as follows:		
Accrued interest payable	(63,117)	
Net pension liability	<u>(2,965,067)</u>	(3,028,184)
Savings from refunding bonds are not available to pay current period expenditures and therefore, not reported in the funds.		295,329
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Deferred pension investment earnings	(330,702)	
Deferred pension contributions	<u>404,034</u>	73,332
Some liabilities, including bonds payable, KSBIT payable, and accrued sick leave, are not due and payable in the current period and therefore, are not reported in the funds.		<u>(19,664,425)</u>
Net position of governmental activities		<u>\$ 8,829,264</u>

The accompanying notes to financial statements are an integral part of this statement.

BATH COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
From local sources:					
Taxes -					
Property	\$ 1,294,973	\$ -	\$ -	\$ 424,602	\$ 1,719,575
Motor vehicles	282,954	-	-	-	282,954
Utilities	610,507	-	-	-	610,507
Interest income	3,972	144,918	-	-	148,890
Other local revenues	45,477	54,549	-	125,696	225,722
Intergovernmental - State	12,880,544	794,373	-	1,573,459	15,248,376
Intergovernmental - Indirect federal	2,519	1,514,857	-	-	1,517,376
Intergovernmental - Direct federal	148,946	-	-	619	149,565
Total revenues	<u>15,269,892</u>	<u>2,508,697</u>	<u>-</u>	<u>2,124,376</u>	<u>19,902,965</u>
Expenditures:					
Current:					
Instruction	9,165,898	1,671,208	-	26,241	10,863,347
Support services:					
Students	1,161,807	109,052	-	55	1,270,914
Instructional staff	187,021	352,951	-	4,235	544,207
District administration	964,644	18,021	-	-	982,665
School administration	1,047,765	-	-	-	1,047,765
Business and other support services	377,952	-	-	-	377,952
Operation and maintenance of plant	1,334,874	29,498	-	-	1,364,372
Student transportation	1,411,475	65,564	-	7,509	1,484,548
Food service	-	1,026	-	-	1,026
Community services	56,987	305,870	-	-	362,857
Facilities acquisition and construction	-	-	2,685,435	-	2,685,435
Debt service	115,014	-	-	1,626,754	1,741,768
Total expenditures	<u>15,823,437</u>	<u>2,553,190</u>	<u>2,685,435</u>	<u>1,664,794</u>	<u>22,726,856</u>
Excess (deficiency) of revenues over expenditures	<u>(553,545)</u>	<u>(44,493)</u>	<u>(2,685,435)</u>	<u>459,582</u>	<u>(2,823,891)</u>
Other financing sources (uses):					
Capital lease proceeds	212,062	-	-	-	212,062
Gain on sale of equipment	1,905	-	-	-	1,905
Transfers in	-	44,493	1,139,823	1,073,978	2,258,294
Transfers out	(341,648)	-	-	(1,916,646)	(2,258,294)
Total other financing sources and uses	<u>(127,681)</u>	<u>44,493</u>	<u>1,139,823</u>	<u>(842,668)</u>	<u>213,967</u>
Net change in fund balances	(681,226)	-	(1,545,612)	(383,086)	(2,609,924)
Fund balances, June 30, 2014	<u>3,945,392</u>	<u>-</u>	<u>1,885,255</u>	<u>564,174</u>	<u>6,394,821</u>
Fund balances, June 30, 2015	<u>\$ 3,264,166</u>	<u>\$ -</u>	<u>\$ 339,643</u>	<u>\$ 181,088</u>	<u>\$ 3,784,897</u>

The accompanying notes to financial statements are an integral part of this statement.

BATH COUNTY SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015

Net change in fund balances—total governmental funds \$ (2,609,924)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	3,047,098	
Adjustment to gain on disposal of assets	(7,453)	
Depreciation expense	<u>(1,029,698)</u>	2,009,947

Generally, expenditures recognized in the fund financial statements are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred for the following:

Long-term portion of accrued sick leave	(21,645)
Interest payable	6,550
Capitalized savings from bond refundings amortization expense	(42,730)
Amortization of bond discounts	(2,095)

Governmental funds report pension contributions as expenditures when paid. However, in the Statement of Activities, pension expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows of resources related to pensions, and investment experience.

KTRS on-behalf revenues	1,656,338	
KTRS on-behalf contributions	(1,656,338)	
CERS contributions	404,034	
Pension expense	<u>(237,205)</u>	166,829

Bond and capital lease proceeds are recognized as revenues of current financial resources in the fund financial statements, but are increases in liabilities in the statement of net position. (212,062)

Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statements but are reductions of liabilities in the statement of net position. 1,257,235

Change in net position of governmental activities \$ 552,105

The accompanying notes to financial statements are an integral part of this statement.

**BATH COUNTY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2015**

	Food Service Fund	Other Proprietary Funds	Total Proprietary Funds
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 631,342	\$ 4,474	\$ 635,816
Receivables (net of allowances for uncollectibles)			
Intergovernmental - federal	17,797	-	17,797
Other	-	4,691	4,691
Inventories	8,755	-	8,755
Total current assets	<u>657,894</u>	<u>9,165</u>	<u>667,059</u>
Noncurrent assets:			
Capital assets, net of accumulated depreciation	462,671	-	462,671
Total noncurrent assets	<u>462,671</u>	<u>-</u>	<u>462,671</u>
 Total assets	 <u>1,120,565</u>	 <u>9,165</u>	 <u>1,129,730</u>
<b>Deferred Outflows of Resources</b>			
Deferred pension contributions	62,673	-	62,673
Total deferred outflows of resources	<u>62,673</u>	<u>-</u>	<u>62,673</u>
Total assets and deferred outflows	<u>\$ 1,183,238</u>	<u>\$ 9,165</u>	<u>\$ 1,192,403</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	\$ 8,009	\$ 256	\$ 8,265
Total current liabilities	<u>8,009</u>	<u>256</u>	<u>8,265</u>
Noncurrent liabilities:			
Net pension liability	459,933	-	459,933
Total liabilities	<u>467,942</u>	<u>256</u>	<u>468,198</u>
<b>Deferred Inflows of Resources</b>			
Deferred earnings on pension investments	51,298	-	51,298
Total deferred inflows of resources	<u>51,298</u>	<u>-</u>	<u>51,298</u>
<b>Net Position</b>			
Net Investment in capital assets	462,671	-	462,671
Restricted	201,327	8,909	210,236
Total net position	<u>663,998</u>	<u>8,909</u>	<u>672,907</u>
Total liabilities, deferred inflows, and net position	<u>\$ 1,183,238</u>	<u>\$ 9,165</u>	<u>\$ 1,192,403</u>

The accompanying notes to financial statements are an integral part of this statement.

**BATH COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Food Service Fund	Other Proprietary Funds	Total Proprietary Funds
Operating revenues:			
Lunchroom sales	\$ 69,708	\$ -	\$ 69,708
Tuition from individuals	-	110,028	110,028
Revenue from local sources	17	16,689	16,706
Total operating revenues	<u>69,725</u>	<u>126,717</u>	<u>196,442</u>
Operating expenses:			
Salaries and wages	354,102	86,416	440,518
Employee benefits	144,991	44,034	189,025
Materials and supplies	860,059	19,313	879,372
Depreciation	33,900	-	33,900
Other operating expenses	11,626	2,027	13,653
Total operating expenses	<u>1,404,678</u>	<u>151,790</u>	<u>1,556,468</u>
Operating income (loss)	<u>(1,334,953)</u>	<u>(25,073)</u>	<u>(1,360,026)</u>
Nonoperating revenues:			
Federal grants	1,203,233	-	1,203,233
Investment income	446	-	446
Donated commodities	73,385	-	73,385
Revenue from state sources (on-behalf)	84,069	21,860	105,929
State grants	11,627	-	11,627
Total nonoperating revenue	<u>1,372,760</u>	<u>21,860</u>	<u>1,394,620</u>
Increase (decrease) in net position	37,807	(3,213)	34,594
Net position, June 30, 2014	<u>626,191</u>	<u>12,122</u>	<u>638,313</u>
Net position, June 30, 2015	<u>\$ 663,998</u>	<u>\$ 8,909</u>	<u>\$ 672,907</u>

The accompanying notes to financial statements are an integral part of this statement.

**BATH COUNTY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015**

	Food Service Fund	Other Proprietary Funds	Total Proprietary Funds
<b>Cash flows from operating activities:</b>			
Cash received from:			
Lunchroom sales	\$ 69,708	\$ -	\$ 69,708
Tuition	-	110,028	110,028
Other revenues	17	16,904	16,921
Cash paid to/for:			
Payments to suppliers and providers of goods and services	(783,671)	(19,057)	(802,728)
Payments to employees	(440,902)	(108,590)	(549,492)
Other payments	(11,626)	(2,027)	(13,653)
Net cash provided by (used for) operating activities	(1,166,474)	(2,742)	(1,169,216)
<b>Cash flows from noncapital financing activities:</b>			
Government grants	1,217,426	-	1,217,426
Net cash provided by noncapital and related financing activities	1,217,426	-	1,217,426
<b>Cash flows from capital and related financing activities:</b>			
Purchases of capital assets	(42,227)	-	(42,227)
Net cash used for capital and related financing activities	(42,227)	-	(42,227)
<b>Cash flows from investing activities:</b>			
Interest received on investments	446	-	446
Net cash provided by investing activities	446	-	446
Net increase (decrease) in cash and cash equivalents	9,171	(2,742)	6,429
Cash and cash equivalents, June 30, 2014	622,171	7,216	629,387
Cash and cash equivalents, June 30, 2015	\$ 631,342	\$ 4,474	\$ 635,816
<b>Reconciliation of operating loss to net cash used by operating activities:</b>			
Operating income (loss)	\$ (1,334,953)	\$ (25,073)	\$ (1,360,026)
Adjustments to reconcile operating income (loss) to net cash used for operating activities:			
Depreciation	33,900	-	33,900
Donated commodities	73,385	-	73,385
On-behalf revenues	84,069	21,860	105,929
Net pension adjustment	(25,878)	-	(25,878)
Change in assets and liabilities:			
Inventory	(4,640)	-	(4,640)
Accounts receivable	-	215	215
Accounts payable	7,643	256	7,899
Net cash provided by (used for) operating activities	\$ (1,166,474)	\$ (2,742)	\$ (1,169,216)
<b>Non-cash items:</b>			
Donated commodities	\$ 73,385	\$ -	\$ 73,385
On-behalf payments	84,069	21,860	105,929

The accompanying notes to financial statements are an integral part of this statement.

**BATH COUNTY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2015**

	Trust Funds	Activity Funds
<b>Assets</b>		
Cash and cash equivalents	\$ 24,986	\$ 203,267
Accounts receivable	-	-
Total assets	24,986	203,267
<b>Liabilities</b>		
Accounts payable	-	-
Interfund payable	-	-
Due to students	-	203,267
Total liabilities	-	203,267
<b>Net position held in trust</b>	<b>\$ 24,986</b>	<b>\$ -</b>

The accompanying notes to financial statements are an integral part of this statement.

**BATH COUNTY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015**

	Trust Funds
Additions -	
Interest income	\$ -
Other local revenues	64
	64
Deductions -	
Transfer out	-
Benefits paid	1,000
	1,000
Change in net position	(936)
Net position, June 30, 2014	25,922
Net position, June 30, 2015	\$ 24,986

The accompanying notes to financial statements are an integral part of this statement.

BATH COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes -				
Property	\$ 1,325,000	\$ 1,210,000	\$ 1,294,973	\$ 84,973
Motor vehicles	175,000	225,000	282,954	57,954
Utilities	575,000	575,000	610,507	35,507
Interest income	12,000	4,000	3,972	(28)
Other local revenues	1,500	51,500	45,477	(6,023)
Intergovernmental - State	9,328,000	9,328,000	9,820,139	492,139
Intergovernmental - Indirect federal	-	-	2,519	2,519
Intergovernmental - Direct federal	5,000	100,000	148,946	48,946
Total revenues	<u>11,421,500</u>	<u>11,493,500</u>	<u>12,209,487</u>	<u>715,987</u>
Expenditures:				
Current:				
Instruction	7,378,190	7,854,809	7,049,668	805,141
Support services:				
Students	864,428	952,922	936,827	16,095
Instructional staff	247,946	323,620	150,410	173,210
District administration	1,390,378	1,408,978	832,261	576,717
School administration	816,522	810,578	810,465	113
Business and other support services	286,722	294,299	320,191	(25,892)
Operation and maintenance of plant	1,746,534	1,707,510	1,230,213	477,297
Student transportation	1,289,941	1,296,495	1,286,253	10,242
Community services	25,064	25,064	31,730	(6,666)
Debt service	200,000	215,000	115,014	99,986
Contingency	426,275	458,962	-	458,962
Total expenditures	<u>14,672,000</u>	<u>15,348,237</u>	<u>12,763,032</u>	<u>2,585,205</u>
Excess (deficiency) of revenues over expenditures	<u>(3,250,500)</u>	<u>(3,854,737)</u>	<u>(553,545)</u>	<u>3,301,192</u>
Other financing sources (uses):				
Capital lease proceeds	-	-	212,062	212,062
Gain on sale of equipment	500	500	1,905	1,405
Transfers in	-	-	-	-
Transfers out	(50,000)	(50,000)	(341,648)	(291,648)
Total other financing sources and uses	<u>(49,500)</u>	<u>(49,500)</u>	<u>(127,681)</u>	<u>(78,181)</u>
Net change in fund balances	(3,300,000)	(3,904,237)	(681,226)	3,223,011
Fund balances, June 30, 2014	<u>3,300,000</u>	<u>3,904,237</u>	<u>3,945,392</u>	<u>41,155</u>
Fund balances, June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,264,166</u>	<u>\$ 3,264,166</u>
Adjustments to Generally Accepted Accounting Principles -				
Intergovernmental State Revenue			\$ 3,060,405	
On-behalf payments:				
Instruction			(2,116,230)	
Support services:				
Student support			(224,980)	
Instructional staff support			(36,611)	
District administration			(132,383)	
School administration			(237,300)	
Business and other support services			(57,761)	
Operation and maintenance of plant			(104,661)	
Student transportation			(125,222)	
Community services			(25,257)	
Fund balance, June 30, 2015 (GAAP basis)			<u>\$ 3,264,166</u>	

The accompanying notes to financial statements are an integral part of this statement.

**BATH COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**SPECIAL REVENUE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Interest income	\$ 154,694	\$ 160,001	\$ 144,918	\$ (15,083)
Other local revenues	31,052	39,076	54,549	15,473
Intergovernmental - State	724,908	694,085	794,373	100,288
Intergovernmental - Indirect federal	1,521,761	1,532,016	1,514,857	(17,159)
Intergovernmental - Direct federal	-	-	-	-
Total revenues	<u>2,432,415</u>	<u>2,425,178</u>	<u>2,508,697</u>	<u>83,519</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Instruction	1,656,937	1,795,470	1,671,208	124,262
<b>Support services:</b>				
Students	101,003	114,935	109,052	5,883
Instructional staff	345,753	349,185	352,951	(3,766)
District administration	-	-	18,021	(18,021)
Operation and maintenance of plant	41,207	39,307	29,498	9,809
Student transportation	42,635	30,922	65,564	(34,642)
Food service	-	-	1,026	-
Community services	294,880	145,359	305,870	(160,511)
Debt service	-	-	-	-
Total expenditures	<u>2,482,415</u>	<u>2,475,178</u>	<u>2,553,190</u>	<u>(76,986)</u>
Excess (deficiency) of revenues over expenditures	<u>(50,000)</u>	<u>(50,000)</u>	<u>(44,493)</u>	<u>6,533</u>
<b>Other financing sources (uses):</b>				
Transfers in	50,000	50,000	44,493	(5,507)
Transfers out	-	-	-	-
Total other financing sources and uses	<u>50,000</u>	<u>50,000</u>	<u>44,493</u>	<u>(5,507)</u>
Net change in fund balances	-	-	-	1,026
Fund balances, June 30, 2014	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,026</u>

The accompanying notes to financial statements are an integral part of this statement.

**BATH COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**(1) REPORTING ENTITY**

The Bath 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 Bath 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 Board, for financial reporting purposes, includes all of the funds and account groups relevant to the operation of the Bath 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 Board itself such as Band Boosters, Parent-Teacher Associations, etc.

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

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements. Copies of this organization's financial statements may be obtained from the Superintendent or the District's Finance Officer Jo Brewer at 405 West Main Street, Owingsville, Kentucky 40360.

Bath County Board of Education Finance Corporation - On November 29, 1988, the Bath County, Kentucky, Board of Education resolved to authorize the establishment of the Bath County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Bath County Board of Education also comprise the Corporation's Board of Directors.

The financial statements of the following entity are not included in the accompanying financial statements.

C.C. Chenault Memorial Trust

The Trust was created to establish agricultural programs for the District. The District receives a quarterly payment from the trust for its agricultural programs. The District had a carryover balance to FY 2015 of \$-0- and received \$196,412 in quarterly payments in the current year and spent \$144,842 and had a carryover balance of \$51,569 to FY 2016. The Trust maintains separate accounting records and is not governed or managed by the District.

## (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS

### Basis of Presentation

The accounting policies of the Bath County School District substantially comply with the rules prescribed by the Kentucky Department of Education for local school districts.

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the District as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

Government-wide statements provide information about the primary government (the District). The statements include a statement of net position and a statement of activities. These statements report the financial activities of the overall government, except for fiduciary activities. They also distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

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

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities and segment of its business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses to programs or functions, except where allowable for certain grant programs. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including internally dedicated resources and all taxes, are reported as general revenues, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund financial statements provide information about the District's funds, including fiduciary funds. Separate statements are presented for the governmental, proprietary, and fiduciary fund categories. The emphasis of fund financial statements is on major funds, each displayed in a separate column. All remaining funds are aggregated and reported as nonmajor funds. Fiduciary funds are aggregated and reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the main operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the 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. This is a major fund of the District.
- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Fund).
  - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the State as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
  - 2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
  - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.
- (D) Debt Service Funds  
The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related costs; and for the payment of interest on general obligation notes payable, as required by Kentucky Law.

II. Proprietary Fund Types (Enterprise Fund)

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

### III. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)

- (A) The Agency fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the *Uniform Program of Accounting for School Activity Funds*.
- (B) The Trust Fund is a scholarship fund. The principal and interest earned may be used for scholarships to Bath County High School students.

#### Basis of Accounting

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

Revenues are recorded from exchange and non-exchange transactions. Revenues resulting from exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as needed.

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

#### 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 the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All

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

The property tax rates assessed for the year ended June 30, 2015, to finance the General Fund operations were \$.442 per \$100 valuation for real property, \$.442 per \$100 valuation for business personal property and \$.464 per \$100 valuation for motor vehicles.

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

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five thousand dollars (\$5,000) with the exception of real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not capitalized.

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

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

Interfund Balances

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

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination

payments. The liability is based on the School District's past experience of making termination payments. The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accumulated sick leave payable" in the general fund. The noncurrent portion of the liability is not reported in the fund financial statements, but is reflected in the statement of net position. The District has set aside a reserve in the amount of \$71,796 for accumulated sick leave as permitted by KRS.

### Budgetary Process

**Budgetary Basis of Accounting:** The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major difference between the budgetary basis and the GAAP basis is that on-behalf payments made by the state for the District are not budgeted. See note (14) for these amounts which were not known by the District at the time the budget was adopted.

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Per Board policy, only amendments that aggregate greater than \$50,000 require Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

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

### Cash and Cash Equivalents

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

### Inventories

Supplies and materials are charged to expenditures when purchased.

### Accrued Liabilities and Long-Term Obligations

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

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

## Fund Balance Reserves

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Non-spendable fund balance-amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
- Restricted fund balance-amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance-amounts constrained to specific purposes by the District itself, using its decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the District takes the action to remove or change the constraint;
- Assigned fund balance-amounts the District intends to use for a specific purpose (such as encumbrances); intent can be expressed by the District or by an official or body to which the District delegates the authority;
- Unassigned fund balance-amounts that are available for any purpose; unassigned amounts are reported only in the General Fund.

When committed, assigned and unassigned resources are available for use, it is the District's policy to use committed and assigned resources first, then unassigned resources as they are needed.

## Net Position

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

## Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

## Interfund Activity

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

## Bond Issuance Costs

Debt issuance costs are expensed in the period they are incurred.

## Pension

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## New Accounting Pronouncements

The District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which requires employers participating in a multiple-employer cost-sharing plan to report net pension liability on the entity-wide statements for their proportionate share of the liability. See Note (15) for the effect of this adoption on beginning net position.

### **(3) ESTIMATES**

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

### **(4) CASH AND CASH EQUIVALENTS**

The funds of the District must be deposited and invested under the terms of a contract. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank 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 depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At year-end, the carrying amount of the District's total cash and cash equivalents was \$5,477,114 and the related bank balances totaled \$6,323,631. Of the total cash balance, \$475,963 was covered by Federal Depository insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

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

Breakdown per financial statements:

Governmental funds	\$ 4,613,045
Proprietary funds	635,816
Trust and Agency funds	228,253
	<u>\$ 5,477,114</u>

(5) LONG-TERM DEBT

Bonds

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

Issue Date	Proceeds	Rates
1996	\$ 185,000	5.00% – 5.70%
2003-K	955,000	1.10% – 3.15%
2004-K	123,315	1.00% – 3.15%
2006-K	132,173	3.30% – 4.00%
2005	5,665,000	3.00% – 4.25%
2006-K	208,738	3.50% – 3.875%
2008	705,000	3.30% – 4.30%
2008-K	159,075	2.40% – 4.00%
2008	8,975,000	2.30% – 4.00%
2009-K	120,186	2.00% – 3.90%
2012-K	166,886	2.00% – 2.63%
2012R	1,100,000	1.10% – 2.35%
2014R	4,350,000	1.00% – 2.25%
2014	1,495,000	1.30% - 4.10%
2014QZAB	3,000,000	0.00%
2015E	1,955,000	1.10% - 3.40%
2015K	185,786	2.00% - 3.00%
2015 KSBIT	127,858	0.00%

The District through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay fund) is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Bath County Fiscal Court and the School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

In 2004, 2005, 2008, 2012, 2013, and 2014, the District entered into “participation agreements” with the School Facility construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

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

Year	Kentucky School Facilities Construction Commission		Bath County School District		Total
	Principal	Interest	Principal	Interest	
2016	\$ 491,659	\$ 293,967	\$ 805,706	\$ 193,809	\$ 1,785,141
2017	535,489	280,706	805,350	171,460	1,793,005
2018	555,187	267,050	786,210	161,276	1,769,723
2019	566,251	251,954	781,152	149,790	1,749,147
2020	564,032	235,314	788,063	136,430	1,723,839
2021-2025	3,089,932	884,794	4,047,303	454,733	8,476,762
2026-2030	2,201,464	339,634	2,273,536	103,932	4,918,566
2031-2035	853,902	73,747	281,098	17,061	1,225,808
	<u>\$ 8,857,916</u>	<u>\$ 2,627,166</u>	<u>\$ 10,568,418</u>	<u>\$ 1,388,491</u>	<u>\$ 23,441,991</u>

## KSBIT Payable

The Kentucky School Boards Insurance Trust (“KSBIT”) notified the District during fiscal year 2013 that their self-insurance pools for worker’s compensation and liability insurance were underfunded. As a result, an assessment will be required under a fair methodology to be approved by the Kentucky Department of Insurance, of current and past participating members to fund the deficit and the transfer of liability to a qualified insurer/reinsurer. On May 13, 2015, the court approved the plan of assessment tendered by KSBIT and approved the Loss Portfolio Transfer to Kentucky Employers Mutual Insurance (“KEMI”). As a result the District’s portion of the liability was estimated at \$127,858. The District took the option of paying 25% down by August 31, 2015 and financing the remaining balance over 6 years to be paid in equal annual installments beginning August 31, 2015 with no interest. The following is a schedule by year of payments:

Year Ending		\$
2016		15,982
2017		15,982
2018		15,982
2019		15,982
2020		15,982
2021		15,983
		\$ 95,893

Following are changes in long-term debt:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015
Issue of 2005	\$ 610,000	\$ -	\$ 300,000	\$ 310,000
January 2006 KISTA	25,121	-	12,314	12,807
September 2006 KISTA	64,465	-	23,298	41,167
Issue of 2008A	545,000	-	30,000	515,000
January 2008 KISTA	64,200	-	16,624	47,576
Issue of 2008	7,110,000	-	370,000	6,740,000
January 2009 KISTA	60,027	-	12,147	47,880
January 2012 KISTA	129,943	-	15,778	114,165
Issue of 2012R	930,000	-	120,000	810,000
Issue of 2013R	4,265,000	-	65,000	4,200,000
Issue of 2013	1,495,000	-	55,000	1,440,000
Issue of 2013 QZAB	3,000,000	-	185,000	2,815,000
Issue of 2014E	1,955,000	-	-	1,955,000
March 2014 KISTA	185,786	-	20,109	165,677
March 2015 KISTA	-	212,062	-	212,062
KSBIT Liability	127,858	-	31,965	95,893
Accumulated unpaid sick leave benefits	159,947	21,645	-	181,592
Less: Discount on bonds	(41,489)	-	(2,095)	(39,394)
Totals	\$ 20,685,858	\$ 233,707	\$ 1,255,140	\$ 19,664,425

## (6) CAPITAL ASSETS

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

	Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015
<u>Governmental Activities</u>				
Non-depreciable:				
Land	\$ 518,317	\$ -	\$ -	\$ 518,317
Construction in progress	4,879,426	2,685,444	2,045,442	5,519,428
Depreciable:				
Land improvements	949,651	117,110	-	1,066,761
Buildings and improvements	25,707,728	1,928,333	-	27,636,061
Technology equipment	1,957,257	176,065	51,904	2,081,418
General equipment	856,038	3,850	6,914	852,974
Vehicles	3,094,749	181,738	-	3,276,487
Totals	<u>37,963,166</u>	<u>5,092,540</u>	<u>2,104,260</u>	<u>40,951,446</u>
Less: accumulated depreciation				
Land improvements	841,396	25,458	-	866,944
Buildings and improvements	7,647,938	517,533	-	8,165,471
Technology equipment	1,348,895	258,820	50,599	1,557,116
General equipment	580,736	41,327	766	621,297
Vehicles	2,185,833	186,470	-	2,372,303
Total accumulated depreciation	<u>12,604,798</u>	<u>1,029,698</u>	<u>51,365</u>	<u>2,583,131</u>
Governmental Activities Capital Assets - Net	<u>\$ 25,358,368</u>	<u>\$ 4,062,842</u>	<u>\$ 2,052,895</u>	<u>\$ 27,368,315</u>
<u>Business-Type Activities</u>				
Buildings and improvements	\$ 308,000	\$ -	\$ -	\$ 308,000
Food service and equipment	517,387	42,042	-	559,429
Technology equipment	14,663	186	357	14,492
	<u>840,050</u>	<u>42,228</u>	<u>357</u>	<u>881,921</u>
Less: accumulated depreciation				
Food service equipment	37,473	6,160	-	43,633
Food service and equipment	343,889	25,134	-	369,023
Technology equipment	4,344	2,606	356	6,594
	<u>385,706</u>	<u>33,900</u>	<u>356</u>	<u>419,250</u>
Business-Type Activities Capital Assets - Net	<u>\$ 454,344</u>	<u>\$ 8,328</u>	<u>\$ 1</u>	<u>\$ 462,671</u>

Depreciation expense was allocated to governmental functions as follows:

Instruction	\$ 344,825
Student support services	69,182
Instructional staff support services	37,495
District administration	44,621
School administration	3,876
Business support services	5,656
Plant operation & maintenance	346,787
Student transportation	176,451
Community service activities	805
	<u>\$ 1,029,698</u>

## (7) COMMITMENTS UNDER NONCAPITALIZED LEASES

Commitments under operating lease agreements for equipment provide for minimum future rental payments as of June 30, 2015, as follows:

<u>Year ending</u>	
2016	\$ 62,582
Total minimum rentals	<u>\$ 62,582</u>

**(8) RETIREMENT PLANS**

Kentucky Teachers Retirement System

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

*Benefits provided:* For members who have established an account in a retirement system administered by the Commonwealth prior to July 1, 2008, members become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, members 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 members 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 members (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 is less than ten years. New members 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, members 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 KTRS has been amended to change the benefit structure for members hired on or after that date.

Final average salary is defined as the member's five (5) highest annual salaries for those with less than 27 years of service. Members 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 members at the rate of sixty (60) percent of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing members and \$5,000 for retired or disabled members.

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

*Contributions:* Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university members are required to contribute 12.105% of their salaries to the System. University members are required to contribute 9.895% of their salaries. KRS 161.580 allows each university to

reduce the contribution of its members by 2.215%; therefore, university members contribute 7.68% of their salary to KTRS.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions in the amount of 13.105% of salaries for local school districts and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. University employers contribute 15.36% of salaries of members. For local school districts and regional cooperative members whose salaries are federally funded, the employer contributes 15.355% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

#### Medical Insurance Plan

*Plan description:* In addition to the pension benefits described above, 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 (6.00%) of the gross annual payroll of members before July 1, 2008 is contributed. Three percent (3.00%) 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.

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

At June 30, 2015, the District did not report a liability for its 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 State 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 net Pension liability	\$	-
Commonwealth's proportionate share of the Net Pension liability associated with the District		<u>55,311,681</u>
		<u>\$ 55,311,681</u>

The net pension liability 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 was based on the actual liability of the employees and former employees relative to the total liability of the Commonwealth as determined by the actuary. At June 30, 2014, the District's proportion was 0.269%.

For the year ended June 30, 2014, the District recognized pension expense of \$2,710,385 and revenue of \$2,710,385 for support provided by the State.

*Actuarial Methods and 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:

Valuation Date	June 30, 2014
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	30 years
Asset Valuation Method	5-year smoothed market
Single Equivalent Interest Rate	5.23%
Municipal Bond Index Rate	4.35%
Inflation	3.5%
Salary Increase	4.0-8.2%, including inflation
Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation

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.

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%
	<u>100.0%</u>	

*Discount Rate:* 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.

The following table presents the net pension liability of the Commonwealth associated with the District, calculated using the discount rate of 5.23%, as well as what the Commonwealth's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.23%) or 1-percentage-point higher (6.23%) than the current rate:

	1% Decrease <u>(4.23%)</u>	Current discount rate <u>(5.23%)</u>	1% Increase <u>(6.23%)</u>
Commonwealth's proportionate share of the Net Pension liability associated with the District	\$ 73,014,276	\$ 55,311,681	\$45,839,484

*Pension plan fiduciary net position:* Detailed information about the pension plan's fiduciary net position is available in the separately issued KTRS financial report which is publically available at <http://www.ktrs.ky.gov/>.

#### County Employees Retirement System

*Plan description:* Substantially all full-time classified employees of the District participate in the County Employees Retirement System ("CERS"). CERS is a cost-sharing, multiple-employer, defined benefit pension plan administered by the Kentucky General Assembly. The plan covers substantially all regular full-time members employed in non-hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in the plan. The plan provides for retirement, disability and death benefits to plan members.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601, or by calling (502) 564-4646 or at <https://kyret.ky.gov>.

*Benefits provided:* Benefits under the plan will vary based on final compensation, years of service and other factors as fully described in the plan documents.

*Contributions:* Funding for CERS is provided by members who contribute 5% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions and by employers of members who contribute 17.67% of the member's salary. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2014. An expected total pension liability as of June 30, 2014 was determined using standard roll-forward techniques. The District's proportion of the net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2014. At June 30 2014, the District's proportion was 0.106%.

For the year ended June 30, 2015, the District recognized pension expense of \$274,000. At June 30, 2015, the District reported deferred outflows of resources for District contributions subsequent to the

measurement date of \$466,707. These contributions will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

The District reported deferred inflows of resources related to pensions from the net difference between projected and actual earnings on pension plan investments in the amount of \$382,000. These amounts will be recognized in pension expense as follows:

<u>Year</u>	
2016	\$ 76,400
2017	76,400
2018	76,400
2019	76,400
2020	76,400
	<u>\$ 382,000</u>

*Actuarial Methods and Assumptions:* The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2014. The financial reporting actuarial valuation as of June 30, 2014, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2014
Experience Study	July 1, 2005 – June 30, 2008
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	30 years
Asset Valuation Method	5-year smoothed market
Inflation	3.5%
Salary Increase	4.5%, average, including inflation
Investment Rate of Return	7.75%, net of pension plan investment expense, including inflation

The rates of mortality 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. The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for KRS. 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.

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 asset allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by CERS'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>
Domestic Equity	30.0%	8.45%
International Equity	22.0%	8.85%
Emerging Market Equity	5.0%	10.50%
Private Equity	7.0%	11.25%
Real Estate	5.0%	7.00%
Core U.S. Fixed Income	10.0%	5.25%
High Yield Fixed Income	5.0%	7.25%
Non U.S. Fixed Income	5.0%	5.5%
Commodities	5.0%	7.75%
TIPS	5.0%	5.00%
Cash	1.0%	3.25%
	<u>100.0%</u>	

*Discount Rate:* 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 assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

The Deferred Inflows and Outflows, and Pension Expense include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The Schedule does not include deferred outflows/inflows of resources for changes in the employer's proportionate share of contributions or employer contributions made subsequent to the measurement date. The net pension liability as of June 30, 2014 is based on the June 30, 2014 actuarial valuation for the first year of implementation. As a result, there are no differences between expected and actual experience or changes in assumptions subject to amortization. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period.

*Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate:* The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75 %, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 %) or 1-percentage-point higher (8.75 %) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current discount rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 4,507,000	\$ 3,425,000	\$ 2,469,000

*Pension plan fiduciary net position:* Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report which is publically available at <https://kyret.ky.gov>.

*Payables to the pension plan:* At June 30, 2015, there were no payables to CERS.

#### **(9) INSURANCE AND RELATED ACTIVITIES**

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

#### **(10) CONTINGENCIES**

The District receives funding from Federal and State government agencies. These funds are to be used for designated purposes only. For Government agency grants, if based on the grantor's review the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements.

The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

The District has outstanding construction commitments of approximately \$175,351 at June 30, 2015.

#### **(11) RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky Employer's Mutual Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance Fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

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.

#### **(12) COBRA**

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. It is management's opinion that the District is in compliance with the COBRA requirements.

### (13) TRANSFER OF FUNDS

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Operating	General	Special Revenue	Technology Match	\$ 44,493
Operating	General	Construction	Construction	58,529
Operating	General	Debt Service	Debt Service	29,610
Operating	General	Building (FSPK)	Construction	209,016
Operating	Building (FSPK)	Debt Service	Debt Service	835,352
Operating	Building (FSPK)	Construction	Construction	420,441
Operating	Capital Outlay	Construction	Construction	660,853

### (14) ON-BEHALF PAYMENTS

For the year ended June 30, 2015, total payments of \$5,584,465 were made by the Commonwealth of Kentucky on behalf of the District for life insurance, health insurance, and KTRS matching and administrative fees, and SFCC debt service. These payments were recognized as on-behalf payments and are recorded in the appropriate revenue and expense account on the Statement of Activities and the Government Funds Statement of Revenue, Expenditures and Changes in Fund Balance. The On-Behalf payments are not budgeted in the Statement of Revenues, Expenditures, and Changes in Fund balance - Budget and Actual.

On-behalf payments at June 30, 2015 consisted of the following:

Teacher Retirement	\$ 2,710,385
Health Insurance	2,032,012
Life Insurance	3,870
Admin Fee	26,677
HRA/Dental/Vision	135,538
Federal Reimbursement	(144,079)
Technology	58,270
Debt Service	761,792
	<u>\$ 5,584,465</u>

### (15) CHANGES IN BEGINNING NET POSITION

Net position as of June 30, 2014, has been restated as follows for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

	Governmental Activities	Business-Type Activities	Total
Net Position as previously reported at June 30, 2014	\$ 11,335,723	\$ 1,112,749	\$ 12,448,472
Prior period adjustment implementation of GASB 68:			
Net pension liability (measurement date as of June 30, 2013)	(3,454,619)	(535,878)	(3,990,497)
Deferred outflows District contributions made during fiscal year 2014	396,055	61,442	457,497
Total prior period adjustment for GASB 68	<u>(3,058,564)</u>	<u>(474,436)</u>	<u>(3,533,000)</u>
Net position as restated, June 30, 2014	<u>\$ 8,277,159</u>	<u>\$ 638,313</u>	<u>\$ 8,915,472</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**BATH COUNTY SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2015**

	Reporting Fiscal Year (Measurement Date)
	2015 (2014)
<b>COUNTY EMPLOYEES RETIREMENT SYSTEM:</b>	
District's proportion of the net pension liability	0.106%
District's proportionate share of the net pension liability	\$ 3,425,000
District's covered-employee payroll	\$ 2,421,900
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	141.418%
Plan fiduciary net position as a percentage of the total pension liability	66.800%
<b>KENTUCKY TEACHER'S RETIREMENT SYSTEM:</b>	
District's proportion of the net pension liability	0.269%
District's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the District	55,311,681
Total	\$ 55,311,681
District's covered-employee payroll	\$ 8,435,447
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.000%
Plan fiduciary net position as a percentage of the total pension liability	45.590%

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

**BATH COUNTY SCHOOL DISTRICT  
SCHEDULE OF PENSION CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>2015</u>	<u>2014</u>
<b>COUNTY EMPLOYEES RETIREMENT SYSTEM:</b>		
Contractually required contribution	\$ 466,707	\$ 457,497
Contributions in relation to the contractually required contribution	<u>466,707</u>	<u>457,497</u>
Contribution deficiency (excess)	-	-
District's covered-employee payroll	\$2,641,239	\$2,421,900
District's contributions as a percentage of its covered-employee payroll	17.67%	18.89%
 <b>KENTUCKY TEACHER'S RETIREMENT SYSTEM:</b>		
Contractually required contribution	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	-	-
District's covered-employee payroll	\$8,831,710	\$8,435,447
District's contributions as a percentage of its covered-employee payroll	0.00%	0.00%

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

**BATH COUNTY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2015**

**(1) CHANGES OF ASSUMPTIONS**

KTRS

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

CERS

There were no changes of assumptions.

**(2) METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS**

KTRS

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	30 years
Asset Valuation Method	5-year smoothed market
Inflation	3.5%
Salary Increase	4.0% to 8.2%, including inflation
Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation

CERS

The actuarially determined contribution rates in the schedule of contributions are calculated on a biennial basis beginning with the fiscal years ended 2015 and 2016, determined as of July 1, 2013. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine the contribution rates reported in that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	30 years
Asset Valuation Method	5-year smoothed market
Inflation	3.5%
Salary Increase	4.5%, average, including inflation
Investment Rate of Return	7.75%, net of pension plan investment expense, including inflation

**(3) CHANGES OF BENEFITS**

There were no changes of benefit terms for KTRS or CERS.

**SUPPLEMENTARY INFORMATION**

**BATH COUNTY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2015**

	District Activity Fund	SEEK Funds	FSPK Fund	Debt Service Funds	Total Non-Major Governmental Funds
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 88,275	\$ 2,648	\$ 90,165	\$ -	\$ 181,088
Accounts receivable		-	-	-	-
Total assets	<u>\$ 88,275</u>	<u>\$ 2,648</u>	<u>\$ 90,165</u>	<u>\$ -</u>	<u>\$ 181,088</u>
<b>LIABILITIES AND FUND BALANCE:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances:</b>					
Restricted		2,648	90,165	-	92,813
Committed	88,275	-	-	-	88,275
Total fund balance	<u>88,275</u>	<u>2,648</u>	<u>90,165</u>	<u>-</u>	<u>181,088</u>
Total liabilities and fund balances	<u>\$ 88,275</u>	<u>\$ 2,648</u>	<u>\$ 90,165</u>	<u>\$ -</u>	<u>\$ 181,088</u>

**BATH COUNTY SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015**

	District Activity Fund	SEEK Funds	FSPK Fund	Debt Service Funds	Total Non-Major Governmental Funds
<b>REVENUES:</b>					
From local sources -					
Property taxes	\$ -	\$ -	\$ 424,602	\$ -	\$ 424,602
Other local revenues	125,696	-	-	-	125,696
Intergovernmental - State	-	189,579	622,088	761,792	1,573,459
Intergovernmental - Federal	619	-	-	-	619
Total revenues	<u>126,315</u>	<u>189,579</u>	<u>1,046,690</u>	<u>761,792</u>	<u>2,124,376</u>
<b>EXPENDITURES:</b>					
Current -					
Instruction	26,241	-	-	-	26,241
Student support services	55	-	-	-	55
Instructional staff support services	4,235	-	-	-	4,235
Student transportation	7,509	-	-	-	7,509
Debt service	-	-	-	1,626,754	1,626,754
Total expenditures	<u>38,040</u>	<u>-</u>	<u>-</u>	<u>1,626,754</u>	<u>1,664,794</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>88,275</u>	<u>189,579</u>	<u>1,046,690</u>	<u>(864,962)</u>	<u>459,582</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Operating transfers in	-	-	209,016	864,962	1,073,978
Operating transfers out	-	(660,853)	(1,255,793)	-	(1,916,646)
Total other financing sources (uses)	<u>-</u>	<u>(660,853)</u>	<u>(1,046,777)</u>	<u>864,962</u>	<u>(842,668)</u>
<b>NET CHANGE IN FUND BALANCES</b>	88,275	(471,274)	(87)	-	(383,086)
<b>FUND BALANCE JUNE 30, 2014</b>	-	473,922	90,252	-	564,174
<b>FUND BALANCE JUNE 30, 2015</b>	<u>\$ 88,275</u>	<u>\$ 2,648</u>	<u>\$ 90,165</u>	<u>\$ -</u>	<u>\$ 181,088</u>

**BATH COUNTY SCHOOL DISTRICT  
 COMBINING STATEMENT OF NET POSITION  
 NON-MAJOR PROPRIETARY FUNDS  
 JUNE 30, 2015**

	<u>Child Care Fund</u>	<u>Preschool Fund</u>	<u>Total Other Proprietary Funds</u>
<b>ASSETS:</b>			
Cash and cash equivalents	\$ (4,566)	\$ 9,040	\$ 4,474
Accounts receivable	4,691	-	4,691
<b>Total assets</b>	<u>\$ 125</u>	<u>\$ 9,040</u>	<u>\$ 9,165</u>
 <b>LIABILITIES AND NET POSITION:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 125	\$ 131	\$ 256
<b>Total liabilities</b>	<u>125</u>	<u>131</u>	<u>256</u>
 <b>Net Position:</b>			
Assigned	-	-	-
Restricted	-	8,909	8,909
<b>Total net position</b>	<u>-</u>	<u>8,909</u>	<u>8,909</u>
 <b>Total liabilities and net position</b>	 <u>\$ 125</u>	 <u>\$ 9,040</u>	 <u>\$ 9,165</u>

**BATH COUNTY SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION  
NON-MAJOR PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015**

	Child Care Fund	Preschool Funds	Total Other Proprietary Funds
Operating revenues:			
Tuition from individuals	\$ 101,433	\$ 8,595	\$ 110,028
Revenue from local sources	16,689	-	16,689
Revenue from state sources	-	-	-
Total operating revenues	118,122	8,595	126,717
Operating expenses:			
Salaries and wages	86,416	-	86,416
Employee benefits	44,034	-	44,034
Materials and supplies	11,747	7,566	19,313
Other operating expenses	634	1,393	2,027
Total operating expenses	142,831	8,959	151,790
Operating income	(24,709)	(364)	(25,073)
Nonoperating revenues :			
On-behalf payments	21,860	-	21,860
Total nonoperating revenue	21,860	-	21,860
Increase (decrease) in net position	(2,849)	(364)	(3,213)
Net position, June 30, 2014	2,849	9,273	12,122
Net position, June 30, 2015	\$ -	\$ 8,909	\$ 8,909

**BATH COUNTY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
SCHOOL ACTIVITY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015**

	Cash Balance June 30, 2014	Receipts	Disbursements	Cash Balance June 30, 2015	Accounts Receivable	Accounts Payable	Deposits Held in Custody for Students June 30, 2015
Bath County High School	\$ 125,700	\$ 262,060	\$ 253,388	\$ 134,372	\$ -	\$ -	\$ 134,372
Bath County Middle School	46,551	122,182	136,855	31,878	-	-	31,878
Owingsville Elementary	50,501	45,948	80,474	15,975	-	-	15,975
Crossroads Elementary	33,537	62,524	75,019	21,042	-	-	21,042
	<u>\$ 256,289</u>	<u>\$ 492,714</u>	<u>\$ 545,736</u>	<u>\$ 203,267</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 203,267</u>

**BATH COUNTY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
SCHOOL ACTIVITY FUNDS  
BATH COUNTY HIGH SCHOOL  
FOR THE YEAR ENDED JUNE 30, 2015**

	Cash Balance June 30, 2014	Receipts	Disburse- ments	Cash Balance June 30, 2015	Accounts Receivable (Accounts Payable)	Deposits Held in Custody for Students June 30, 2015
General	\$ 9,279	\$ 14,655	\$ 14,120	\$ 9,814	\$ -	\$ 9,814
Academic team	80	-	70	10	-	10
Guidance	2,293	2,464	1,813	2,944	-	2,944
Talented and gifted	673	-	-	673	-	673
Senior trip	697	51,380	51,302	775	-	775
After Prom	1,585	6,719	7,278	1,026	-	1,026
Faculty	688	1,581	745	1,524	-	1,524
Beta Club	3,022	1,420	2,293	2,149	-	2,149
FBLA	1,320	6,213	5,814	1,719	-	1,719
FCCLA	3,067	11,777	12,232	2,612	-	2,612
FFA	2,056	2,933	2,478	2,511	-	2,511
FEA	30	420	314	136	-	136
Library Club	262	-	262	-	-	-
TSA	861	800	1,005	656	-	656
FCA	130	-	-	130	-	130
AG-Mechanics	38	-	-	38	-	38
AG-Science	9,493	2,478	-	11,971	-	11,971
Art	165	2,914	2,375	704	-	704
Band	133	-	125	8	-	8
Drama	552	407	500	459	-	459
Strategic Gaming	258	465	-	723	-	723
Math Field Trip	23	-	-	23	-	23
Hort	24,267	22,506	19,168	27,605	-	27,605
Journalism	5,399	1,540	-	6,939	-	6,939
Spanish	361	975	1,061	275	-	275
Health/Science	-	541	-	541	-	541
Humanities	448	-	200	248	-	248
Consumer Science	26	-	-	26	-	26
Language Arts	-	900	900	-	-	-
Athletics	26,848	50,398	53,330	23,916	-	23,916
Baseball	5,748	650	3,804	2,594	-	2,594
Boys basketball	3	1,550	1,522	31	-	31
Cheerleaders	481	500	734	247	-	247
Boys Cross Country	715	2,208	1,354	1,569	-	1,569
Football	14	2,800	1,841	973	-	973
Girls Cross Country	725	2,208	1,384	1,549	-	1,549
Girls Basketball	1,334	5,210	3,856	2,688	-	2,688
Girls Softball	764	4,622	4,786	600	-	600
Girls Track	1,421	1,742	2,378	785	-	785
Boys Golf	19	650	500	169	-	169
Girls Golf	797	650	414	1,033	-	1,033
Boys Soccer	212	500	582	130	-	130
Girls Soccer	482	1,176	1,300	358	-	358
Boys Track	574	904	1,478	-	-	-
Girls Volleyball	858	500	-	1,358	-	1,358
Junior Class	4,296	20,933	17,746	7,483	-	7,483
Sophomore Class	2,530	14,217	15,109	1,638	-	1,638
Senior Class	8,721	11,615	13,076	7,260	-	7,260
Freshman Class	-	4,139	4,139	-	-	-
Youth Service Center	1,469	1,800	-	3,269	-	3,269
Backpack	483	-	-	483	-	483
	<u>\$ 125,700</u>	<u>\$ 262,060</u>	<u>\$ 253,388</u>	<u>\$ 134,372</u>	<u>\$ -</u>	<u>\$ 134,372</u>

**BATH COUNTY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED 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>Program or Award Amount</u>	<u>Expenditures</u>
<u>U.S. Department of Education</u>				
Passed through State Department of Education:				
Title I Grants to Local Educational Agencies	84.010	310002-12	\$ 956,921	\$ 2,102 *
Title I Grants to Local Educational Agencies	84.010	310002-13	908,777	277,988 *
Title I Grants, School Improvement (Part A)	84.010	310002-14	881,472	589,621 *
				<u>869,711</u>
Special Education Cluster (IDEA):				
Special Education Grants to States - IDEA, Part B	84.027	3810002-13	410,001	39,701
Special Education Grants to States - IDEA, Part B	84.027	3810002-14	425,050	374,882
Special Education Preschool Grants	84.173	3800002-13	29,619	14,082
Special Education Preschool Grants	84.173	3800002-14	29,619	29,619
				<u>458,284</u>
Title VI - Rural & Low Income	84.358	3140002-13	35,342	2,115
Title VI - Rural & Low Income	84.358	3140002-14	42,844	39,558
				<u>41,673</u>
Improving Teacher Quality State Grants	84.367	3230002-13	123,714	22,928 *
Improving Teacher Quality State Grants	84.367	3230002-14	123,309	91,510 *
				<u>114,438</u>
Vocational Education Basic Grants to States	84.048	3710002-13	29,722	1,186
Vocational Education Basic Grants to States	84.048	3710002-14	29,722	27,972
				<u>29,158</u>
Total U.S. Department of Education				<u>1,513,264</u>
<u>Appalachian Regional Commission</u>				
Pass-through State Department of Education:				
Appalachian Higher Education Network	23.011	6884	3,991	1,228
Total Appalachian Regional Commission				<u>1,228</u>

**BATH COUNTY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONCLUDED)  
FOR THE YEAR ENDED 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>Program or Award Amount</u>	<u>Expenditures</u>
<u>U.S. Department of Agriculture</u>				
Pass-through State Department of Education:				
Cash Assistance:				
Child and Adult Care Food Program	10.558	7800016-14	-	123
Child and Adult Care Food Program	10.558	7800016-15	-	118
Child and Adult Care Food Program	10.558	7790021-14	-	1,968
Child and Adult Care Food Program	10.558	7790021-15	-	2,517
				<u>4,726</u>
Child Nutrition Cluster:				
National School Lunch Program	10.555	7750002-14	-	158,715
National School Lunch Program	10.555	7750002-15	-	658,652
Summer Food Service Program for Children	10.559	7690024-14	-	1,460
Summer Food Service Program for Children	10.559	7740023-14	-	31,944
School Breakfast Program	10.553	7760005-14	-	71,657
School Breakfast Program	10.553	7760005-15	-	281,085
Cash Assistance Subtotal				<u>1,203,513</u>
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	10.555	011-0100	-	73,385
Total Child Nutrition Cluster				<u>1,276,898</u>
Pass-through Bath County Fiscal Court:				
Schools and Roads Grants to States	10.665	FUND 1-4700	-	2,519
Total U.S. Department of Agriculture				<u>1,284,143</u>
Total Federal Assistance				<u>\$ 2,798,635</u>

\* Denotes major program.

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**NOTE A - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Bath County School District under the programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Government, and Non-Profit Organizations. Because the schedule presents only a selected portion of operations of the Bath County School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE C - FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2015, the organization had total inventory of \$8,755.



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

Kentucky State Committee for  
School District Audits  
Members of the Board of Education  
Bath County School District  
Owingsville, Kentucky

We have audited, in accordance with the 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 the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Auditor Responsibilities* and *State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Bath County School District (the "District") as of and for the year ended June 30, 2015, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 6, 2015.

**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 opinion 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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*.

We noted certain matters that we reported to management of the District in a separate letter dated November 6, 2015.

### **Purpose of this Report**

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

*Kelley Galloway Smith Goolsby, PSC*

November 6, 2015  
Ashland, Kentucky



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

Kentucky State Committee for  
School District Audits  
Members of the Board of Education  
Bath County School District  
Owingsville, Kentucky

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

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

**Management's Responsibility**

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

**Auditor's Responsibility**

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Bath County School 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 Bath County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered 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 Bath County School District's internal control over compliance.

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

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

## Purpose of this Report

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.

*Kelley Halloway Smith Doolby, PSC*

November 6, 2015  
Ashland, Kentucky

**BATH COUNTY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**(A) SUMMARY OF AUDIT RESULTS**

Type of Auditor's report issued: Unmodified

Internal Control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ yes   x   no

Significant deficiency(ies) identified? \_\_\_\_\_ yes   x   none reported

Noncompliance material to the financial statements noted? \_\_\_\_\_ yes   x   no

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ yes   x   no

Significant deficiency(ies) identified? \_\_\_\_\_ yes   x   none reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? \_\_\_\_\_ yes   x   no

The District had the following major programs with CFDA numbers in parentheses for the year ended June 30, 2015:

Title I (84.010)  
Improving Teacher Quality (84.367)

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

The District qualified as a low risk auditee   x   yes \_\_\_\_\_ no

**(B) FINANCIAL STATEMENT FINDINGS**

None noted in the current year.

**(C) FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no findings in the current year.

**BATH COUNTY SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

There were no findings in the prior year.

**BATH COUNTY SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2015**

No corrective action plan needed in the current year.



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Owingsville, Kentucky

In planning and performing our audit of the financial statements of Bath County School District (the "District") as of and for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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.

However, during our audit, we became aware of matters that are an opportunity for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding this matter. This letter does not affect our report dated November 6, 2015, on the financial statements of the District.

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

*Kelley Galloway Smith Goolsby, PSC*

November 6, 2015  
Ashland, Kentucky

**BATH COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER POINTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**2015-1 Bath County High School & Bath County Middle School Booster Clubs**

Statement of Condition: We noted that booster club semi-annual and Annual Financial Reports were not being submitted to the high school on a timely and accurate basis.

Criteria for Condition: Semi-annual and Annual Financial Reports of each of the booster clubs should be prepared and submitted to the high school within 30 days of month-end.

Cause of Condition: Oversight.

Effect of the Condition: Semi-annual and Annual Financial Reports of the booster clubs were not available on a timely basis.

Recommendation of the Condition: We recommend that more care be taken to ensure that the semi-annual and Annual Financial Reports are prepared on a timely and accurate basis.

Management Response: Board Policy, 04.312, addresses all the requirements for semi-annual and Annual Financial Reports for submission to the schools. The District shall reinforce the guidelines within the policy.

**2015-2 Bath County High School Fundraiser**

Statement of Condition: We noted on one of the fundraiser forms for Girls Basketball, there was not a detail listing of the receipts and disbursements as required and it was not submitted in a timely fashion.

Criteria for Condition: Per Redbook, the activity sponsor shall complete the Fundraiser Worksheet (Form F-SA-2B) and forward the report to the principal for review and filing within one week of the completion of the fundraising period or event.

Cause of Condition: Oversight.

Effect of the Condition: Non-compliance with Redbook.

Recommendation of the Condition: We recommend that all fundraiser forms be completed in full and submitted within one week of the fundraising event.

Management Response: The District Policy for School Activity Funds, 04.312, addresses Support/Booster Clubs and their responsibility for participation in fundraising in the District. We will reinforce these guidelines and place the accountability on the Support/Booster Club. If they do not meet the reporting guidelines, our schools shall not submit any fundraiser request until all information is received.

Status of Prior Year Management Points

The prior year conditions were not repeated in the current year. The Superintendent is the person responsible for initiation of the optional corrective action plan for the above conditions which will be implemented immediately. The corrective action plan is the management response for each condition.