

**FORT THOMAS INDEPENDENT SCHOOL
DISTRICT**

June 30, 2015

*FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS'
REPORT INCLUDING SUPPLEMENTARY INFORMATION*



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INDEPENDENT AUDITORS' REPORT

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the provisions of 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 to the Independent Auditor's Contract, State Compliance Requirements, Appendix I to the Independent Auditor's Contract – Audit Extension Request and Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Report, Audit Acceptance Statement and Statement of Certification. 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the 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 Fort Thomas Independent School District, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, on pages 1 through 4, the budgetary comparison information, on pages 36 and 37, and the pension schedules on pages 38 and 39 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 Fort Thomas Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2015, on our consideration of the Fort Thomas Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Fort Thomas Independent School District's internal control over financial reporting and compliance

VonLehman & Company Inc.

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED**

As management of the Fort Thomas Independent 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 audit.

Financial Highlights

- The beginning cash and investment balance, including activity funds for the District was \$7,619,634.
- The General Fund had \$26,195,003 in revenue (excluding proceeds from the issuance of a capital lease), which primarily consisted of the state program (SEEK), property, local occupational license taxes and motor vehicle taxes. The General Fund had expenditures of \$25,975,582 (excluding inter-fund transfers of \$725,189).
- 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 compliance regulations.

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) district-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

The district-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt are also supported by taxes and intergovernmental revenues. The district-wide financial statements can be found on pages 5 and 6 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 proprietary funds of the District include its food service operations, adult education, and summer enrichment. All other activities of the District are included in the governmental funds. The basic governmental fund financial statements can be found on pages 7 through 11 of this report.

Notes to the financial statements. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 16 through 35 of this report.

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

District-Wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$21,056,994 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 are still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

Net Position for the Periods Ending June 30, 2015 and 2014

	June 30,	
	2015	2014 (As Restated)
Current Assets	\$ 8,639,791	\$ 7,572,831
Noncurrent Assets	62,912,872	58,631,604
Total Assets	71,552,663	66,204,435
Deferred Outflows of Resources	1,024,909	576,133
Total Assets and Deferred Outflows of Resources	72,577,572	66,780,568
Current Liabilities	4,461,883	3,232,653
Noncurrent Liabilities	46,579,993	43,777,685
Total Liabilities	51,041,876	47,010,338
Deferred Inflows of Resources	478,702	-
Total Liabilities and Deferred Inflows of Resources	51,520,578	47,010,338
Investment in Capital Assets (Net of Debt)	18,150,783	17,372,926
Restricted	2,551,427	272,598
Unrestricted	354,784	2,124,706
Total Net Position	\$ 21,056,994	\$ 19,770,230

Comments on Budget Comparisons

- The District's total general revenues for the fiscal year ended June 30, 2015 were \$26,195,003.
- General Fund budget compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$6,021,503 in excess of budget, or approximately 29.8%. This is partially a result of the District recording "on behalf" payments made by the state.
- The total cost of all programs and services in the General Fund was \$25,975,582.
- General fund actual expenditures were more than budgeted expenditures by \$2,114,265. This is mainly a result of the District recording "on behalf" payments made by the state.

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

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

	<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>
		<u>(As Restated)</u>
Revenues		
Program Revenues		
Charges for Services	\$ 2,115,281	\$ 1,910,085
Operating Grants and Contributions	2,267,168	2,216,533
Capital Grants and Contributions	<u>2,101,528</u>	<u>2,296,792</u>
Total Program Revenues	<u>6,483,977</u>	<u>6,423,410</u>
General Revenues		
Taxes	13,609,148	13,017,494
Grants and Entitlements	12,970,719	12,069,628
Earnings on Investments	18,756	20,345
Miscellaneous	<u>72,303</u>	<u>136,232</u>
Total General Revenues	<u>26,670,926</u>	<u>25,243,699</u>
Total Revenues	<u>33,154,903</u>	<u>31,667,109</u>
Expenses		
Instruction	17,798,424	15,624,532
Student Support Services	1,351,465	1,346,767
Staff Support Services	1,565,512	1,336,741
District Administration	1,275,916	1,895,733
School Administration	2,246,687	1,593,977
Business Support	891,929	845,142
Plant Operations	2,850,084	2,873,780
Student Transportation	128,424	166,263
Community Services	19,450	78,802
Amortization Expense, Net	2,953	7,128
Pension Expense	779,669	-
Bond Issuance Costs	160,316	26,130
Interest on Long-Term Debt	1,369,909	1,676,519
Food Service	<u>1,427,401</u>	<u>1,276,036</u>
Total Expenses	<u>31,868,139</u>	<u>28,747,550</u>
Change in Net Position	<u>\$ 1,286,764</u>	<u>\$ 2,919,559</u>

Capital Assets

At the end of fiscal year 2015, the District had a total of approximately \$62.9 million in capital assets net of accumulated depreciation, including approximately \$62.6 million for governmental activities and approximately \$300,000 for business type activities. Current year capital asset additions totaled approximately \$7.0 million.

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

Debt

At June 30, 2015, the District had approximately \$43.8 million in outstanding bonds. There was one new bond issuance, one current refunding, and one advance refunding during fiscal year 2015. The issuance was in March, 2015 for \$4.6 million. The current refunding was for \$9.5 million in August, 2014 while the advance refunding for \$9.1 million was in March, 2015.

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's overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a budget with \$1,634,040 in contingency (6.8%). Significant District action that impacts the finances include a minimum 1% pay raise for all employees.

Contacting the District's Financial Management

Questions regarding this report should be directed to the Superintendent, Mr. Gene Kirchner, at (859) 815-2002 or by mail at Fort Thomas Independent School District, 28 N. Fort Thomas Avenue, Fort Thomas, Kentucky 41075.

FORT THOMAS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business- Type Activities	Total
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 7,556,117	\$ 419,108	\$ 7,975,225
Accounts Receivable	408,885	-	408,885
Inventories	-	40,038	40,038
Prepaid Expenses	215,643	-	215,643
Total Current Assets	8,180,645	459,146	8,639,791
Noncurrent Assets			
Nondepreciable Capital Assets			
Land	465,820	-	465,820
Construction in Progress	3,279,440	-	3,279,440
Depreciable Capital Assets			
Land Improvements	218,119	-	218,119
Buildings and Improvements	66,730,698	-	66,730,698
Vehicles	371,437	-	371,437
Furniture and Equipment	6,217,685	635,401	6,853,086
Less Accumulated Depreciation	(14,670,710)	(335,018)	(15,005,728)
Total Noncurrent Assets	62,612,489	300,383	62,912,872
Total Assets	70,793,134	759,529	71,552,663
Deferred Outflows of Resources			
Contributions After Measurement Date	449,661	79,496	529,157
Deferred Loss on Refunding, Net	495,752	-	495,752
Total Deferred Outflows of Resources	945,413	79,496	1,024,909
Total Assets and Deferred Outflows of Resources	71,738,547	839,025	72,577,572
Liabilities			
Current Liabilities			
Current Portion of Bonds Payable	2,493,736	-	2,493,736
Current Portion of Capital Lease Obligations	218,676	-	218,676
Current Portion of Accrued Sick Leave	134,385	-	134,385
Current Portion of Insurance Assessment Liability	22,822	-	22,822
Accounts Payable	1,100,185	1,763	1,101,948
Accrued Interest	239,407	-	239,407
Funds Received in Excess of Revenues Earned	250,909	-	250,909
Total Current Liabilities	4,460,120	1,763	4,461,883
Noncurrent Liabilities			
Noncurrent Portion of Accrued Sick Leave	417,255	-	417,255
Noncurrent Portion of Insurance Assessment Liability	63,954	-	63,954
Noncurrent Portion of Bonds Payable	41,312,634	-	41,312,634
Noncurrent Portion of Capital Lease Obligations	497,636	-	497,636
Net Pension Liability	3,644,249	644,265	4,288,514
Total Noncurrent Liabilities	45,935,728	644,265	46,579,993
Total Liabilities	50,395,848	646,028	51,041,876
Deferred Inflows of Resources			
Net Difference Between Projected and Actual Investment Earnings	406,786	71,916	478,702
Total Liabilities and Deferred Inflows of Resources	50,802,634	717,944	51,520,578
Net Position			
Invested in Capital Assets, Net of Related Debt Restricted for Capital Projects	17,850,400	300,383	18,150,783
Unrestricted	2,551,427	-	2,551,427
	534,086	(179,302)	354,784
Total Net Position	\$ 20,935,913	\$ 121,081	\$ 21,056,994

See accompanying notes.

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business - Type Activities	Total
Governmental Activities							
Instructional	\$ 17,798,424	\$ 908,596	\$ 2,195,004	\$ 964,733	\$ (13,730,091)	\$ -	\$ (13,730,091)
Support Services							
Student	1,351,465	-	-	-	(1,351,465)	-	(1,351,465)
Instructional Staff	1,565,512	-	-	-	(1,565,512)	-	(1,565,512)
District Administration	1,275,916	-	-	-	(1,275,916)	-	(1,275,916)
School Administration	2,246,687	-	-	-	(2,246,687)	-	(2,246,687)
Business	891,929	-	-	-	(891,929)	-	(891,929)
Plant Operation and Maintenance	2,850,084	-	-	500,000	(2,350,084)	-	(2,350,084)
Student Transportation	128,424	-	-	-	(128,424)	-	(128,424)
Community Services	19,450	-	-	-	(19,450)	-	(19,450)
Amortization Expense, Net	2,953	-	-	-	(2,953)	-	(2,953)
Pension Expense	779,669	-	-	-	(779,669)	-	(779,669)
Bond Issuance Costs	160,316	-	-	-	(160,316)	-	(160,316)
Interest on Long-Term Debt	1,369,909	-	-	636,795	(733,114)	-	(733,114)
Total Governmental Activities	<u>30,440,738</u>	<u>908,596</u>	<u>2,195,004</u>	<u>2,101,528</u>	<u>(25,235,610)</u>	<u>-</u>	<u>(25,235,610)</u>
Business-Type Activities							
Food Service and Other Activities	<u>1,427,401</u>	<u>1,206,685</u>	<u>72,164</u>	<u>-</u>	<u>-</u>	<u>(148,552)</u>	<u>(148,552)</u>
Total School District	<u>\$ 31,868,139</u>	<u>\$ 2,115,281</u>	<u>\$ 2,267,168</u>	<u>\$ 2,101,528</u>	<u>(25,235,610)</u>	<u>(148,552)</u>	<u>(25,384,162)</u>
General Revenues							
Taxes					13,609,148	-	13,609,148
Federal and State Aid not Restricted to Specific Purposes					12,970,719	-	12,970,719
Investment Earnings					17,802	954	18,756
Miscellaneous					72,303	-	72,303
Total General Revenues					<u>26,669,972</u>	<u>954</u>	<u>26,670,926</u>
Change in Net Position					1,434,362	(147,598)	1,286,764
Net Position July 1, 2014 (As Restated)					<u>19,501,551</u>	<u>268,679</u>	<u>19,770,230</u>
Net Position June 30, 2015					<u>\$ 20,935,913</u>	<u>\$ 121,081</u>	<u>\$ 21,056,994</u>

See accompanying notes.

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Construction Funds</u>	<u>Debt Service Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets						
Cash and Cash Equivalents	\$ 3,881,484	\$ 125,826	\$ 3,496,248	\$ -	\$ 52,559	\$ 7,556,117
Accounts Receivable	283,080	125,083	-	-	722	408,885
Prepaid Expense	215,643	-	-	-	-	215,643
Total Assets	<u>\$ 4,380,207</u>	<u>\$ 250,909</u>	<u>\$ 3,496,248</u>	<u>\$ -</u>	<u>\$ 53,281</u>	<u>\$ 8,180,645</u>
Liabilities						
Accounts Payable	\$ 155,364	\$ -	\$ 944,821	\$ -	\$ -	\$ 1,100,185
Deferred Revenues	-	250,909	-	-	-	250,909
Total Liabilities	<u>155,364</u>	<u>250,909</u>	<u>944,821</u>	<u>-</u>	<u>-</u>	<u>1,351,094</u>
Fund Balances						
Nonspendable-Prepays	215,643	-	-	-	-	215,643
Restricted						
Construction Fund	-	-	2,551,427	-	-	2,551,427
Capital Outlay Fund	-	-	-	-	2,911	2,911
Building Fund	-	-	-	-	50,370	50,370
Committed						
Accumulated Sick Leave	551,640	-	-	-	-	551,640
Unassigned	3,457,560	-	-	-	-	3,457,560
Total Fund Balances	<u>4,224,843</u>	<u>-</u>	<u>2,551,427</u>	<u>-</u>	<u>53,281</u>	<u>6,829,551</u>
Total Liabilities and Fund Balances	<u>\$ 4,380,207</u>	<u>\$ 250,909</u>	<u>\$ 3,496,248</u>	<u>\$ -</u>	<u>\$ 53,281</u>	<u>\$ 8,180,645</u>

See accompanying notes.

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION
JUNE 30, 2015**

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

Total Governmental Funds Balance		\$ 6,829,551
Capital assets used in governmental activities are not financial resources and; therefore, are not reported as assets in governmental funds.		
Cost of Capital Assets	\$ 77,283,199	
Accumulated Depreciation	<u>(14,670,710)</u>	62,612,489
Deferred loss on refunding, net is not a financial resource and therefore is not reported as assets in governmental funds		495,752
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Contributions After Measurement Date		449,661
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		(406,786)
Long-term liabilities, including bonds payable, are not due and payable in the current period and; therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Bonds Payable	43,710,000	
Discount on Bonds, Net	(222,607)	
Premiums on Bonds, Net	225,627	
KITSA Bond Payable	93,350	
KSBIT Assessment	86,776	
Accrued Interest on Bonds	239,407	
Accumulated Sick Leave	551,640	
Capital Lease Obligations	716,312	
Net Pension Liability	<u>3,644,249</u>	<u>(49,044,754)</u>
Total Net Position - Governmental Activities		\$ <u><u>20,935,913</u></u>

See accompanying notes.

FORT THOMAS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	General Fund	Special Revenue Funds	Construction Funds	Debt Service Funds	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 12,210,561	\$ -	\$ -	\$ -	\$ 1,398,587	\$ 13,609,148
Earnings on Investments	12,876	-	3,771	-	1,155	17,802
State Sources	13,037,386	402,536	-	1,351,529	1,061,528	15,852,979
Federal Sources	-	664,273	-	115,095	-	779,368
Other Sources	934,180	181,623	500,000	-	-	1,615,803
Total Revenues	<u>26,195,003</u>	<u>1,248,432</u>	<u>503,771</u>	<u>1,466,624</u>	<u>2,461,270</u>	<u>31,875,100</u>
Expenditures						
Instructional	15,995,465	997,464	-	-	-	16,992,929
Support Services						
Student	1,325,847	44,718	-	-	-	1,370,565
Instructional Staff	1,575,312	152,659	-	-	-	1,727,971
District Administration	1,237,739	10,569	-	-	-	1,248,308
School Administration	1,714,321	-	-	-	-	1,714,321
Business	924,360	-	-	-	-	924,360
Plant Operation and Maintenance	3,039,022	-	-	-	-	3,039,022
Student Transportation	112,692	100,565	-	-	-	213,257
Community Services	-	19,490	-	-	-	19,490
Debt Service						
Principal	13,250	-	-	11,718,250	-	11,731,500
Interest	37,574	-	-	1,546,721	-	1,584,295
Capital Outlay	-	-	5,957,810	-	-	5,957,810
Total Expenditures	<u>25,975,582</u>	<u>1,325,465</u>	<u>5,957,810</u>	<u>13,264,971</u>	<u>-</u>	<u>46,523,828</u>
Excess (Deficit) of Revenues Over Expenditures	<u>219,421</u>	<u>(77,033)</u>	<u>(5,454,039)</u>	<u>(11,798,347)</u>	<u>2,461,270</u>	<u>(14,648,728)</u>
Other Financing Sources (Uses)						
Operating Transfers In	-	77,033	5,532,382	2,255,587	-	7,865,002
Operating Transfers Out	(725,189)	-	-	-	(7,139,813)	(7,865,002)
Proceeds from Issuance of Capital Lease	1,036,341	-	-	-	-	1,036,341
Proceeds from Issuance of Refunding Bonds	-	-	-	18,620,000	-	18,620,000
Proceeds from Issuance of Bonds	-	-	-	-	4,575,000	4,575,000
Payment to Refunded Bond Escrow Agent	-	-	-	(9,183,721)	-	(9,183,721)
Bond Issuance Costs	-	-	-	(124,616)	(35,700)	(160,316)
Underwriters' Premium on Bond Sale	-	-	-	231,097	-	231,097
Underwriters' Discount on Bond Sale	-	-	-	-	(80,074)	(80,074)
Total Other Financing Sources (Uses)	<u>311,152</u>	<u>77,033</u>	<u>5,532,382</u>	<u>11,798,347</u>	<u>(2,680,587)</u>	<u>15,038,327</u>
Net Change in Fund Balance	530,573	-	78,343	-	(219,317)	389,599
Fund Balance July 1, 2014	<u>3,694,270</u>	<u>-</u>	<u>2,473,084</u>	<u>-</u>	<u>272,598</u>	<u>6,439,952</u>
Fund Balance June 30, 2015	<u>\$ 4,224,843</u>	<u>\$ -</u>	<u>\$ 2,551,427</u>	<u>\$ -</u>	<u>\$ 53,281</u>	<u>\$ 6,829,551</u>

See accompanying notes.

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

Net Changes in Total Fund Balances Per Fund Financial Statements \$ 389,599

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

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

Depreciation Expense	\$ (2,125,317)	
Capital Outlays	<u>6,441,756</u>	4,316,439

Discounts on bonds are reported in the governmental funds as an other financing source. However, for governmental activities those items are shown in the statement of net position and allocated over the term of the bond in the statement of activities. This is the amount by which the current year discount on bonds exceeded the current year amortization expense.

Discount on Bonds	80,074	
Amortization Expense	<u>(8,423)</u>	71,651

Premiums on bonds are reported in the governmental funds as an other financing use. However, for governmental activities those items are shown in the statement of net position and allocated over the term of the bond in the statement of activities. This is the amount by which the current year premium on bonds exceeded the current year amortization expense.

Premium on Bonds	(231,097)	
Amortization Expense	<u>5,470</u>	(225,627)

Repayment of bond and capital lease principal is an expenditure in the governmental funds but, it reduces long-term liabilities in the statement of net position and does not affect the statement of activities.

Principal Payments Made	12,001,300	
Payments to Escrow for Refunded Debt	<u>9,183,721</u>	21,185,021

The proceeds from bonds and capital leases provide current financial resources and are reported in the fund financial statements but they are presented as liabilities in the statement of net position. (24,231,341)

See accompanying notes.

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015
(Continued)**

In the statement of activities, compensated absences (sick leave) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these amounts are measured by the amount of financial resources used (essentially, the amounts actually paid.) The difference in expenses reported in the statement of activities is as a result of the change in accumulated sick leave.

\$ 30,992

KSBIT Insurance Assessment Liability

34,998

Governmental funds report City pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

Pension Contributions - June 30, 2014

(487,989)

Pension Contributions - June 30, 2015

449,661

Cost of Benefits Earned Net of Employee Contributions

(291,680)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The difference in interest expense reported in the statement of activities is as a result of (1) the change in accrued interest on bonds and (2) refunding losses and gains are not expended within the fund statements.

192,638

Change in Net Position of Governmental Activities

\$ 1,434,362

See accompanying notes.

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015**

	<u>Food Service Fund</u>	<u>Adult Education Fund</u>	<u>Summer Enrichment Fund</u>	<u>Total</u>
Assets				
Current Assets				
Cash and Cash Equivalents	\$ 379,579	\$ 1,169	\$ 38,360	\$ 419,108
Inventories for Consumption	<u>40,038</u>	<u>-</u>	<u>-</u>	<u>40,038</u>
Total Current Assets	<u>419,617</u>	<u>1,169</u>	<u>38,360</u>	<u>459,146</u>
Noncurrent Assets				
Furniture and Equipment	635,401	-	-	635,401
Less Accumulated Depreciation	<u>(335,018)</u>	<u>-</u>	<u>-</u>	<u>(335,018)</u>
Total Noncurrent Assets	<u>300,383</u>	<u>-</u>	<u>-</u>	<u>300,383</u>
Total Assets	720,000	1,169	38,360	759,529
Deferred Outflows of Resources				
Contributions After Measurement Date	<u>79,472</u>	<u>-</u>	<u>24</u>	<u>79,496</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 799,472</u>	<u>\$ 1,169</u>	<u>\$ 38,384</u>	<u>\$ 839,025</u>
Liabilities				
Current Liabilities				
Accounts Payable	\$ 903	\$ -	\$ 860	\$ 1,763
Noncurrent Liabilities				
Net Pension Liability	<u>644,071</u>	<u>-</u>	<u>194</u>	<u>644,265</u>
Total Liabilities	<u>644,974</u>	<u>-</u>	<u>1,054</u>	<u>646,028</u>
Deferred Inflows of Resources				
Net Difference Between Projected and Actual Investment Earnings	<u>71,894</u>	<u>-</u>	<u>22</u>	<u>71,916</u>
Total Liabilities and Deferred Inflows of Resources	<u>716,868</u>	<u>-</u>	<u>1,076</u>	<u>717,944</u>
Net Position				
Invested in Assets, Net of Debt	300,383	-	-	300,383
Unrestricted	<u>(217,779)</u>	<u>1,169</u>	<u>37,308</u>	<u>(179,302)</u>
Total Net Position	<u>82,604</u>	<u>1,169</u>	<u>37,308</u>	<u>121,081</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 799,472</u>	<u>\$ 1,169</u>	<u>\$ 38,384</u>	<u>\$ 839,025</u>

See accompanying notes.

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015**

	<u>Food Service Fund</u>	<u>Adult Education Fund</u>	<u>Summer Enrichment Fund</u>	<u>Total</u>
Operating Revenues				
Lunchroom Sales	\$ 1,172,377	\$ -	\$ -	\$ 1,172,377
Other Operating Revenues	<u>14,671</u>	<u>610</u>	<u>19,027</u>	<u>34,308</u>
Total Operating Revenues	<u>1,187,048</u>	<u>610</u>	<u>19,027</u>	<u>1,206,685</u>
Operating Expenses				
Salaries and Benefits	596,249	72	19,187	615,508
Contract Services	5,493	-	3,880	9,373
Materials and Supplies	624,850	-	2,669	627,519
Depreciation	35,171	-	-	35,171
Pension Expense	139,614	-	96	139,710
Other Operating Expenses	<u>120</u>	<u>-</u>	<u>-</u>	<u>120</u>
Total Operating Expenses	<u>1,401,497</u>	<u>72</u>	<u>25,832</u>	<u>1,427,401</u>
Operating (Loss) Income	<u>(214,449)</u>	<u>538</u>	<u>(6,805)</u>	<u>(220,716)</u>
Non-Operating Revenues (Expenses)				
State Aid	72,164	-	-	72,164
Interest Income	<u>954</u>	<u>-</u>	<u>-</u>	<u>954</u>
Total Non-Operating Revenues (Expenses)	<u>73,118</u>	<u>-</u>	<u>-</u>	<u>73,118</u>
Net (Loss) Income	(141,331)	538	(6,805)	(147,598)
Net Position July 1, 2014 (As Restated)	<u>223,935</u>	<u>631</u>	<u>44,113</u>	<u>268,679</u>
Net Position June 30, 2015	<u>\$ 82,604</u>	<u>\$ 1,169</u>	<u>\$ 37,308</u>	<u>\$ 121,081</u>

See accompanying notes.

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015**

	<u>Food Service Fund</u>	<u>Adult Education Fund</u>	<u>Summer Enrichment Fund</u>	<u>Total</u>
Cash Flows From Operating Activities				
Cash Received from Lunchroom Sales	\$ 1,177,848	\$ -	\$ -	\$ 1,177,848
Cash Received from Other Activities	14,671	610	19,710	34,991
Cash Payments to Employees for Services	(675,721)	(72)	(19,211)	(695,004)
Cash Payments to Suppliers for Goods and Services	<u>(630,463)</u>	<u>-</u>	<u>(6,549)</u>	<u>(637,012)</u>
Net Cash (Used) Provided by Operating Activities	(113,665)	538	(6,050)	(119,177)
Cash Flows From Non Capital Financing Activities				
Federal and State Grants	72,164	-	-	72,164
Cash Flows From Investing Activities				
Interest on Investments	<u>954</u>	<u>-</u>	<u>-</u>	<u>954</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(40,547)	538	(6,050)	(46,059)
Cash and Cash Equivalents, Beginning of Year	<u>420,126</u>	<u>631</u>	<u>44,410</u>	<u>465,167</u>
Cash and Cash Equivalents, End of Year	<u>\$ 379,579</u>	<u>\$ 1,169</u>	<u>\$ 38,360</u>	<u>\$ 419,108</u>
Reconciliation of Operating (Loss) Income to Net Cash (Used) Provided by Operating Activities				
Operating (Loss) Income	\$ (214,449)	\$ 538	\$ (6,805)	\$ (220,716)
Adjustments to Reconcile Operating (Loss) Income to Net Cash (Used) Provided by Operating Activities				
Depreciation	35,171	-	-	35,171
Change in Assets and Liabilities				
Increase in Inventories for Consumption	7,303	-	-	7,303
Increase in Deferred Outflows of Resources	8,592	-	56	8,648
(Decrease) Increase in Accounts Payable	(1,832)	-	683	(1,149)
Decrease in Net Pension Liability	(20,344)	-	(6)	(20,350)
Increase in Deferred Inflows of Resources	<u>71,894</u>	<u>-</u>	<u>22</u>	<u>71,916</u>
Net Cash (Used) Provided by Operating Activities	<u>\$ (113,665)</u>	<u>\$ 538</u>	<u>\$ (6,050)</u>	<u>\$ (119,177)</u>

See accompanying notes.

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015**

	<u>Agency Funds</u>
Assets	
Cash and Cash Equivalents	\$ 794,728
Accounts Receivable	<u>17,327</u>
Total Assets	<u>812,055</u>
Liabilities	
Accounts Payable	1,019
Due to Student Groups	
High School Activity Funds	680,329
Elementary and Middle School Activity Funds	<u>130,707</u>
Total Liabilities	<u>812,055</u>
Net Position	
Net Position Held in Trust	<u><u>\$ -</u></u>

See accompanying notes.

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Fort Thomas Independent Board of Education (the Board), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Fort Thomas Independent 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. District members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Fort Thomas Independent School District. The financial statements presented herein do not include funds of groups and organizations which, although associated with the school system, have not originated within the District itself such as 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 District. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

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

Fort Thomas Independent School District Finance Corporation – On December 12, 1988, the Fort Thomas Independent School District resolved to authorize the establishment of the Fort Thomas Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the District for financing the costs of school building facilities. The District Members of the Fort Thomas Independent Board of Education also comprise the Corporation's Board of Directors.

Basis of Presentation

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 balance, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus.

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods, as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the schedule of expenditures of federal awards included in this report on page 47. 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 Funds).
 - 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.
 - The Facility Support Program of Kentucky Fund (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
 - 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. No budgetary comparison is presented as this fund does not have a legally adopted budget.
- (D) The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and, for the payment of interest on general obligation notes payable, as required by Kentucky law. This is a major fund of the District. No budgetary comparison is presented as this fund does not have a legally adopted budget.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

II. Proprietary Fund Types (Enterprise Funds)

- (A) The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund of the District.
- (B) The Adult Education Fund is used to account for programs for adult education.
- (C) The Summer Enrichment Fund is used to account for programs for additional learning opportunities outside of the normal school calendar.

The District applies all Governmental Accounting Standards District (GASB) pronouncements to Proprietary Funds.

III. Fiduciary Fund Type (Agency and Trust Funds)

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

Basis of Accounting

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

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

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 non-exchange transactions must also be available before they can be recognized.

Funds Received in Excess of Revenues Earned - Funds received exceeds revenues earned 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.

Restricted and Unrestricted Resources – 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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Taxes

Property Tax Revenues - Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the District. 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.

Budgetary Process

The District's budget is prepared according to Kentucky law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. In Kentucky, the public school fiscal year is July 1 through June 30. Some programs relating to federal and state grants operate on a different fiscal year but are nevertheless reflected in the overall budget.

Cash and Cash Equivalents

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

Inventories

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

Capital Assets

General capital assets are those assets not specifically related to activities reported in the Proprietary Funds. These assets generally result from expenditures in the Governmental Funds. These assets are reported in the governmental activities column of the district-wide statement of net 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 district-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 \$1,000, with the exception of computers, digital cameras and real property, for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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:

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	12 Years
Furniture and Fixtures	7 Years
Other	10 Years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accumulated Unpaid Sick Leave Benefits

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

Interfund Balances

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

Accrued Liabilities and Long-Term Obligations

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

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

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 specific purpose (such as encumbrances); intent can be expressed by the District, or by an official or body, to which the District delegates the authority.
- *Unassigned fund balance* - amounts that are available for purpose; positive amounts are reported only in the General Fund.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrances

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System (CERS) and additions to/deductions from CERS' fiduciary net position have been determined on the same basis as they are reported by CERS. 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.

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 its use either through the enabling legislation adopted by the District, or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the Proprietary Funds. For the District, those revenues are primarily charges for meals provided by the various schools and other services. Expenses are primarily payroll, food costs, and supply purchases.

Interfund Activity

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

Estimates

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

NOTE 2 - CASH AND CASH EQUIVALENTS

At year end, the District had on deposit, cash and cash equivalents totaling \$8,514,041. Of the total cash balance, \$250,000 was covered by the Federal Depository Insurance Corporation (FDIC), with the remainder covered by a collateral agreement held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity date of 90 days or less.

NOTE 2 - CASH AND CASH EQUIVALENTS (Continued)

Cash and cash equivalents at June 30, 2015, consist of the following:

	<u>June 30, 2015</u>
Bank Balance	\$ <u>8,514,041</u>
Book Balance	\$ <u>8,769,953</u>

Cash allocation per financial statements:

	<u>June 30, 2015</u>
Governmental Funds	\$ 7,556,117
Proprietary Funds	419,108
Activity Funds	<u>794,728</u>
	<u>\$ 8,769,953</u>

NOTE 3 - CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions / Transfers</u>	<u>Deductions / Transfers</u>	<u>Ending Balance</u>
Governmental Activities				
Land	\$ 465,820	\$ -	\$ -	\$ 465,820
Construction In Progress	582,062	3,279,440	(582,062)	3,279,440
Land Improvements	218,119	-	-	218,119
Buildings & Improvements	64,052,327	2,678,371	-	66,730,698
Technology Equipment	2,379,002	983,102	(61,293)	3,300,811
Vehicles	283,026	88,411	-	371,437
General Equipment	<u>2,922,380</u>	<u>-</u>	<u>(5,506)</u>	<u>2,916,874</u>
Total at Historical Cost	<u>70,902,736</u>	<u>7,029,324</u>	<u>(648,861)</u>	<u>77,283,199</u>
Less Accumulated Depreciation				
Land Improvements	217,046	148	-	217,194
Buildings & Improvements	9,462,472	1,441,557	-	10,904,029
Technology Equipment	1,810,573	468,156	(61,293)	2,217,436
Vehicles	190,564	31,358	-	221,922
General Equipment	<u>926,031</u>	<u>184,098</u>	<u>-</u>	<u>1,110,129</u>
Total Accumulated Depreciation	<u>12,606,686</u>	<u>2,125,317</u>	<u>(61,293)</u>	<u>14,670,710</u>
Governmental Activities Capital Assets, Net	<u>\$ 58,296,050</u>	<u>\$ 4,904,007</u>	<u>\$ (587,568)</u>	<u>\$ 62,612,489</u>

NOTE 3 - CAPITAL ASSETS (Continued)

	Beginning Balance	Additions / Transfers	Deductions / Transfers	Ending Balance
Business-Type Activities				
Technology Equipment	\$ 4,244	\$ -	\$ -	\$ 4,244
General Equipment	631,157	-	-	631,157
Total at Historic Cost	635,401	-	-	635,401
Less Accumulated Depreciation				
Technology Equipment	3,800	272	-	4,072
General Equipment	296,047	34,899	-	330,946
Total Accumulated Depreciation	299,847	35,171	-	335,018
Business-Type Activities Capital Assets, Net				
	\$ 335,554	\$ (35,171)	\$ -	\$ 300,383

Depreciation expense was charged to governmental functions as follows:

	Year Ended June 30, 2015
Instruction	\$ 1,464,549
District Administration	44,621
School Administration	599,373
Business Support Services	2,933
Plant Operation and Maintenance	923
Student Transportation	12,918
	\$ 2,125,317

NOTE 4 - DEBT AND LEASE OBLIGATIONS

The amount shown in the accompanying financial statements as bond obligations represents the District's future obligations to make payments relating to the bonds issued by the Fort Thomas Independent School District Finance Corporation including any unamortized portions of bond discounts or bond premiums.

The following is a summary of the District's long-term debt transactions for the year ended June 30, 2015.

	Debt Outstanding July 1, 2014	Additions	Refunding of Debt	Reductions	Debt Outstanding June 30, 2015	Expected to be Paid Within One Year
General Obligation						
Bonds	\$ 41,035,000	\$ 23,195,000	\$ 18,315,000	\$ 2,205,000	\$ 43,710,000	\$ 2,470,000
Unamortized Discount	(150,956)	(80,074)	-	(8,423)	(222,607)	(8,959)
Unamortized Premium	-	231,097	-	5,470	225,627	19,144
KISTA Bond Pool	18,189	88,411	-	13,250	93,350	13,551
Capital Leases	51,432	947,930	-	283,050	716,312	218,676
	\$ 40,953,665	\$ 24,382,364	\$ 18,315,000	\$ 2,498,347	\$ 44,522,682	\$ 2,712,412

NOTE 4 - DEBT AND LEASE OBLIGATIONS (Continued)

The repayment of general obligation and KISTA bonds includes the following:

	June 30, 2015
	<u> </u>
Paid by the District	\$ 1,375,171
Paid by the Kentucky School Facility Construction Commission	<u>843,079</u>
	<u>\$ 2,218,250</u>

Bonds

The District, through the General Fund, (including Facility Support Program of Kentucky Fund (FSPK) 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 sponsoring governmental entity to construct school facilities.

The District entered into "participation agreements" with the School Facility Construction Commission (the Commission). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The 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 liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

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

<u>Issue Date</u>	<u>Original Amount</u>	<u>Interest</u>	<u>Outstanding Balance at June 30, 2015</u>
April, 2006	\$ 11,220,000	4.13 - 4.38 %	\$ 285,000
July, 2006	1,160,000	3.50 - 4.20	735,000
August, 2007	1,380,000	3.75 - 4.13	1,015,000
January, 2008	1,575,000	3.25 - 4.25	1,180,000
June, 2008	1,600,000	3.35 - 4.30	1,445,000
May, 2009	10,220,000	1.00 - 3.40	4,975,000
January, 2009	36,418	2.00 - 3.90	14,508
August, 2010	2,030,000	1.00 - 5.20	1,690,000
June, 2011	1,130,000	1.85 - 4.20	1,040,000
July, 2012	2,945,000	1.50 - 3.20	2,870,000
May, 2013	3,310,000	2.00 - 3.125	3,165,000
March, 2014	88,411	2.00 - 3.00	78,842
April, 2014	2,245,000	3.00 - 4.00	2,180,000
August, 2014	9,540,000	2.00 - 3.38	9,475,000
March, 2015	9,080,000	2.00 - 3.00	9,080,000
March, 2015	4,575,000	2.00 - 3.38	4,575,000
Less: Unamortized Bond Discounts			(222,607)
Plus: Unamortized Bond Premiums			<u>225,627</u>
			<u>\$ 43,806,370</u>

NOTE 4 - DEBT AND LEASE OBLIGATIONS (Continued)

All issues may be called prior to maturity at dates and redemption premiums 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:

Fiscal Year	Ft. Thomas Independent School District		KY School Facilities Construction Commission		Federal Rebate	Total Requirements
	Principal	Interest	Principal	Interest		
2015-16	\$ 1,511,305	\$ 884,775	\$ 972,246	\$ 527,381	\$ (25,652)	\$ 3,870,055
2016-17	1,551,181	823,188	996,105	512,972	(24,856)	3,858,590
2017-18	1,596,528	782,440	1,015,355	485,819	(23,911)	3,856,231
2018-19	1,633,821	740,257	1,043,344	457,813	(22,939)	3,852,296
2019-20	1,676,131	694,943	1,072,762	427,876	(21,734)	3,849,978
2020-21	1,726,747	647,095	932,307	396,039	(20,321)	3,681,867
2021-22	1,765,115	607,031	959,164	367,761	(18,862)	3,680,209
2022-23	1,817,965	553,497	985,026	335,110	(17,320)	3,674,278
2023-24	1,875,116	497,180	1,018,132	299,637	(15,611)	3,674,454
2024-25	1,922,357	439,392	1,052,643	262,316	(13,730)	3,662,978
2025-26	1,596,568	380,241	1,088,432	222,719	(11,761)	3,276,199
2026-27	1,528,409	325,091	901,591	185,971	(9,749)	2,931,313
2027-28	1,582,453	275,210	902,547	148,920	(7,672)	2,901,458
2028-29	1,414,207	222,705	765,793	112,074	(5,484)	2,509,295
2029-30	1,457,697	176,436	637,303	81,207	(3,185)	2,349,458
2030-31	1,174,240	133,874	260,760	58,172	(1,001)	1,626,045
2031-32	1,058,286	94,253	151,714	43,831	-	1,348,084
2032-33	1,100,010	58,957	154,990	32,053	-	1,346,010
2033-34	486,149	27,754	58,851	19,754	-	592,508
2034-35	299,162	10,096	60,838	10,096	-	380,192
	<u>\$ 28,773,447</u>	<u>\$ 8,374,415</u>	<u>\$ 15,029,903</u>	<u>\$ 4,987,521</u>	<u>\$ (243,788)</u>	<u>\$ 56,921,498</u>

Details of Refundings

Due to favorable interest rates, during fiscal year 2015, \$9,080,000 of the Series 2015 School Building Refunding Revenue Bonds were issued to refund \$8,815,000 of the District's previously issued and outstanding Series 2006A School Building Refunding Revenue Bonds. The Series 2006A School Building Refunding Revenue Bonds will be called on April 1, 2016 at 100%. The reacquisition price exceeded the net carrying amount of the old debt by \$368,721. This amount is being amortized over the remaining life of the refunded debt. As a result of this issuance, \$8,815,000 of the obligation is considered to be defeased and the liability for those bonds has been removed from the District's financial statements. As a result of the refunding, the District reduced its aggregate debt service payments to maturity by \$826,131 and obtained an economic gain (difference between present value of the debt service payments on the old and new debt) of \$680,724.

NOTE 4 - DEBT AND LEASE OBLIGATIONS (Continued)

Due to favorable interest rates, during fiscal year 2015, \$9,540,000 of the Series 2014-REF School Building Refunding Revenue Bonds were issued to refund \$9,500,000 of the District's previously issued and outstanding Series 2009BAB School Building Revenue Bonds. The Series 2009BAB School Building Revenue Bonds were called on August 26, 2014 at 100%. The reacquisition price exceeded the net carrying amount of the old debt by \$127,031. This amount is being amortized over the remaining life of the refunded debt. As a result of this issuance, \$9,500,000 of the obligation is considered to be defeased and the liability for those bonds has been removed from the District's financial statements. As a result of the refunding, the District reduced its aggregate debt service payments to maturity by \$868,419 and obtained an economic gain (difference between present value of the debt service payments on the old and new debt) of \$686,671.

Capital Leases

The District leases technology equipment for various schools under a capital lease. This lease expires in August, 2019. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments, or the fair value of the asset. The assets are depreciated over the lower of their related lease terms or their estimated productive lives. Depreciation under capital leases is included in depreciation expense for 2015.

The following is a summary of property held under capital lease obligations at cost less accumulated depreciation:

	<u>June 30, 2015</u>
Technology Equipment	\$ 947,930
Less Accumulated Depreciation	<u>179,735</u>
Net Capital Lease Property	<u>\$ 768,195</u>

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

<u>Years Ending June 30,</u>	
2016	\$ 232,618
2017	232,618
2018	232,618
2019	<u>51,492</u>
Total	749,346
Less Amount Representing Interest	<u>33,034</u>
Present Value of Minimum Lease Payments	716,312
Less Current Portion	<u>218,676</u>
Long-Term Portion	<u>\$ 497,636</u>

NOTE 5 - ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon providing proof of qualification as an annuitant from the Kentucky Teachers' Retirement System, certified and classified employees will receive from the District, an amount equal to 30% of the value of accumulated sick leave. At June 30, 2015, this amount totaled approximately \$551,640 for those employees with twenty-seven or more years of experience. The District has reserved \$551,640 of its General Fund for unpaid sick leave benefits.

Changes in the District's compensated absences during fiscal year 2015 were as follows:

	<u>Balance June 30, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2015</u>	<u>Amounts Expected to be Paid Within One Year</u>
Governmental Activities Accumulated Sick Leave	\$ 585,350	\$ 108,570	\$ 142,280	\$ 551,640	\$ 134,385

The accumulated sick leave liability will be liquidated by the General Fund.

NOTE 6 – INSURANCE ASSESSMENT LIABILITY

During a prior year, the District was assessed \$121,774 associated with the underfunded status of The Kentucky School Boards Insurance Trust. The District had been previously notified of the potential for assessment but it wasn't until a court ruling in June, 2014, that a plan was passed and the assessment was calculated. The assessment was comprised of \$91,406 for Worker's Compensation Insurance and \$30,368 for Property & Liability Insurance. The District was given several payment options and chose to pay the assessments over the next six years. The plan included a 25% payment in August, 2014 for both assessments. The remaining Property & Liability Insurance assessment would be paid equally over the following two years while the remaining Worker's Compensation assessment would be paid equally over the following five years.

The remaining maturities on this assessment are as follows:

<u>Years Ending June 30,</u>	
2016	\$ 22,822
2017	22,821
2018	13,711
2019	13,711
2020	<u>13,711</u>
	<u>\$ 86,776</u>

NOTE 7 - COMMITMENTS UNDER NONCAPITALIZED LEASES

The District has operating leases for three copiers for at term of sixty months at \$3,966 per month expiring in May, 2019. Expenditures for the equipment under these operating leases totaled \$47,593 for the year ended June 30, 2015.

Future minimum rental payments under the leases are as follows:

Years Ending June 30,	
2016	\$ 47,593
2017	47,593
2018	47,593
2019	<u>43,627</u>
	<u>\$ 186,406</u>

NOTE 8 – PENSION PLANS

The District's total payroll for the year was \$16,806,136. The payroll for employees covered under the following plans totaled \$16,511,700.

Kentucky Teachers' Retirement System

Certified employees participate in the Kentucky Teachers' Retirement System (KTRS), which is a cost sharing, multiple-employer retirement system created by, and operating under, Kentucky law.

The Kentucky Teachers' Retirement System covers all regular certified full-time employees of each school district. The plan provides for retirement, disability and death benefits. KTRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained in writing from the Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, Kentucky 40601-3800.

Participating employees contribute 12.105% of creditable compensation. Matching contributions are made by the state. These on behalf payments are reflected in the District's financial records and amounted to \$2,017,973 for 2015. The matching contributions are paid by the federal program for any salaries paid by that program. Such contribution rates are determined by the District of Trustees of Kentucky Retirement Systems. The District contributed 15.355% of the employee's compensation paid by federal programs for the fiscal year ended June 30, 2015. In addition, the District contributed 2.25% of the employee's compensation to the retiree medical insurance fund for employees who are not in federally funded positions.

The District's required contributions for pension obligations to KTRS for the fiscal years ended June 30, 2015, 2014, and 2013 were \$1,984,016 (composed of \$348,134 from the District and \$1,635,882 from the employees), \$1,723,792 and \$1,512,562, respectively; 100% has been contributed for fiscal years 2015, 2014, and 2013.

NOTE 8 – PENSION PLANS (Continued)

County Employees Retirement System

Plan description: County Employees Retirement System (CERS) consists of two plans, Nonhazardous and Hazardous. Each plan is a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement Systems (KRS) under the provision of Kentucky Revised Statute 61.645. The plan covers all regular full-time members employed in nonhazardous and hazardous duty positions of each participating county, city, and any additional eligible local agencies electing to participate in CERS.

Benefits provided: These systems provide for retirement, disability, and death benefits to system members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances.

Retirement Eligibility for Members Whose Participation Began Before 09/01/2008		
Age	Years of Service	Allowance Reduction
65	4	None
Any	27	None
55	5	6.5% per year for first five years, and 4.5% for next five years before age 65 or 27 years of service.
Any	25	6.5% per year for first five years, and 4.5% for next five years before age 65 or 27 years of service.

Retirement Eligibility for Members Whose Participation Began On or After 09/01/2008		
Age	Years of Service	Allowance Reduction
65	5	None
57	Rule of 87	None
60	10	6.5% per year for first five years, and 4.5% for next five years before age 65 or Rule of 87 (age plus years of service).

Benefit Formula				
Final Compensation	X	Benefit Factor	X	Years of Service
Average of the five highest if participation began before 09/01/2008.		2.20% if:		Includes earned service, purchased service, prior service, and sick leave (if the member's employer participates in an approved sick leave program).
			Member begins participating prior to 08/01/2004.	
Average of the last complete five if participation began on or after 09/01/2008.		2.00% if:		
			Member begins participating on or after 08/01/2004 and before 09/01/2008.	
		Increasing percent based on service at retirement* plus 2.00% for each year of service over 30 if:		
			Member begins participating on or after 09/01/2008.	

* **Service** (and **Benefit Factor**): **10 years or less** (1.10%); **10 - 20 years** (1.30%); **20 - 26 years** (1.50%); **26 - 30 years** (1.75%)

For post-retirement death benefits, if the member is receiving a monthly benefit based on at least four (4) years of creditable service, the retirement system will pay a \$5,000 death benefit payment to the beneficiary named by the member specifically for this benefit.

NOTE 8 – PENSION PLANS (Continued)

For disability benefits, members participating before 08/01/2004 may retire on account of disability provided the member has at least 60 months of service credit and is not eligible for an unreduced benefit. Additional service credit may be added for computation of benefits under the benefit formula. Members participating on or after 08/01/2004 but before 01/01/2014 may retire on account of disability provided the member has at least 60 months of service credit. Benefits are computed as the higher of 20% of Final Rate of Pay or the amount calculated under the Benefit Formula based upon actual service. Members participating on or after 01/01/2014 may retire on account of disability provided the member has at least 60 months of service credit. The hypothetical account which includes member contributions, employer contributions, and interest credits can be withdrawn from the System as a lump sum or an annuity equal to the larger of 20% of the member's monthly final rate of pay or the annuitized hypothetical account into a single life annuity option. Members disabled as a result of a single duty-related injury or act of violence related to their job may be eligible for special benefits.

For pre-retirement death benefits, the beneficiary of a deceased active member will be eligible for a monthly benefit if the member was: (1) eligible for retirement at the time of death or, (2) under the age of 55 with at least 60 months of service credit and currently working for a participating agency at the time of death or (3) no longer working for a participating agency but at the time of death had at least 144 months of service credit. If the beneficiary of a deceased active member is not eligible for a monthly benefit, the beneficiary will receive a lump sum payment of the member's contributions and any accumulated interest.

Prior to July 1, 2009, cost-of-living adjustments (COLA) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. On July 1, 2013, the COLA was not granted. Effective July 1, 2009, and on July 1 of each year thereafter through June 30, 2014, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce the COLA if, in its judgment, the welfare of the Commonwealth so demands.

Each system's assets are used only for the payment of benefits to the members of that system, and a pro rata share of administrative costs in accordance with the provisions of Kentucky Revised Statute Section 78.630.

Contributions: For the fiscal years ended June 30, 2015 and 2014, plan members who began participating prior to September 1, 2008, were required to contribute 5% nonhazardous and 8% hazardous of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate for CERS pensions. Per Kentucky Revised Statute Section CERS 78.545, normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the fiscal year ended June 30, 2015, participating employers contributed 17.67% for the nonhazardous system and 34.31% for the hazardous system of each employee's creditable compensation. The actuarially determined rates set by the Board for the fiscal years was a percentage of each employee's creditable compensation. Contributions to the pension plan from the District were \$529,157 and \$576,133 for the years ended June 30, 2015 and 2014, respectively.

NOTE 8 – PENSION PLANS (Continued)

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

At June 30, 2015, the District reported a liability of \$4,288,514 for its proportionate share of the net pension liability. 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 District's share of contributions to the pension plan relative to the contributions of all participating employers. At June 30, 2015, the District's proportion for the nonhazardous system was 0.13%.

For the year ended June 30, 2015, the District recognized pension expense of \$919,379. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	\$ -	\$ 478,702
District Contributions Subsequent to the Measurement Date	529,157	-
Total	\$ 529,157	\$ 478,702

The \$529,157 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30,	
2016	\$ 95,740
2017	95,741
2018	95,740
2019	95,741
2020	95,740
Total	\$ 478,702

Actuarial assumptions: The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all 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

NOTE 8 – PENSION PLANS (Continued)

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, at 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 target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Nominal Return</u>
Domestic Equity	30.00 %	8.45 %
International Equity	22.00	8.85
Emerging Market Equity	5.00	10.50
Private Equity	7.00	11.25
Real Estate	5.00	7.00
Core U.S. Fixed Income	10.00	5.25
High Yield U.S. Fixed Income	5.00	7.25
Non U.S. Fixed Income	5.00	5.50
Commodities	5.00	7.75
TIPS	5.00	5.00
Cash	<u>1.00</u>	3.25
Total	<u><u>100.00 %</u></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.

NOTE 8 – PENSION PLANS (Continued)

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 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</u>		<u>Current Discount</u>		<u>1% Increase</u>
	<u>(6.75%)</u>		<u>Rate (7.75%)</u>		<u>(8.75%)</u>
Nonhazardous	\$ 5,643,399	\$	4,288,514	\$	3,091,443

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued Kentucky Retirement Systems Comprehensive Annual Financial Report on the KRS website at www.kyret.ky.gov.

NOTE 9 - CONTINGENCIES

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

NOTE 10 - INSURANCE AND RELATED ACTIVITIES

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

NOTE 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 School Districts Insurance Trust Liability 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 Districts 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.

NOTE 11 - RISK MANAGEMENT (Continued)

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 Districts Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 12 - TRANSFER OF FUNDS

The following transfers were made during the year.

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Special Revenue	Operating	\$ 13,318
General	Special Revenue	KETS Match	63,715
General	Construction	Site Improvement	648,156
Capital Outlay	Construction	Site Improvement	425,000
Capital Outlay	Debt Service	Bond Payments	101,226
Building	Debt Service	Bond Payments	2,154,361
Building	Construction	Site Improvement	4,459,226

NOTE 13 - ON-BEHALF PAYMENTS

As amounts are paid by various state agencies on-behalf of the District, the amounts are recognized as revenues and expenditures by the District. On the statement of revenues, expenditures and changes in fund balance, the on-behalf payments are included with state revenue and are included in the functional expense classifications. On the statement of activities, the on-behalf payments are included in the functional expense classifications and are included with program operating grants and contributions for the respective functions. A summary of on-behalf payments during 2015 is as follows:

	<u>2015</u>
Payments Made by the State for Fringe Benefits of District Employees and Technology Expenses	\$ <u>4,457,804</u>
Payments Made by the KSFCC for its Participation in the District's Bonds - Included in Debt Service Expenditures	\$ <u>1,351,529</u>

NOTE 14 - SUBSEQUENT EVENTS

Effective February, 2015, the District entered into a lease agreement in the amount of \$845,580 for the purchase of laptops in the June 30, 2016 school year. Payments will begin on this lease agreement in July, 2015.

In November, 2015, the School District issued Series 2015C School Building Revenue Bonds in the amount of \$23,810,000 for the complete renovation of Ruth Moyer Elementary.

The date to which events occurring after June 30, 2015, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosure is November 5, 2015 which is the date on which the financial statements were available to be issued.

NOTE 15 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT

The District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, for the County Employee’s Retirement System and Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. For defined benefit pensions, these Statements identify the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to period of employee service. These Statements also require enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans that are within its scope.

The implementation of GASB Statements No. 68 and 71 had the following effect:

Net Position, June 30, 2014	\$ 23,618,067
Recognition of Contributions after Measurement Date	576,133
Recognition of Net Pension Liability	<u>(4,423,970)</u>
 Restated Net Position, June 30, 2014	 \$ <u><u>19,770,230</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

FORT THOMAS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		with Final Budget Favorable (Unfavorable)
Revenues				
Taxes	\$ 11,564,000	\$ 11,564,000	\$ 12,210,561	\$ 646,561
Earnings on Investments	10,000	10,000	12,876	2,876
State Sources	7,774,500	7,774,500	13,037,386	5,262,886
Other Sources	825,000	825,000	934,180	109,180
Total Revenues	<u>20,173,500</u>	<u>20,173,500</u>	<u>26,195,003</u>	<u>6,021,503</u>
Expenditures				
Instructional	12,215,989	12,215,989	15,995,465	(3,779,476)
Support Services				
Student	1,124,848	1,124,848	1,325,847	(200,999)
Instructional Staff	1,452,061	1,452,061	1,575,312	(123,251)
District Administration	1,450,091	1,450,091	1,237,739	212,352
School Administration	1,428,661	1,428,661	1,714,321	(285,660)
Business	819,862	819,862	924,360	(104,498)
Plant Operation and Maintenance	3,602,565	3,602,565	3,039,022	563,543
Student Transportation	56,200	56,200	112,692	(56,492)
Debt Service	52,000	52,000	50,824	1,176
Capital Outlays	25,000	25,000	-	25,000
Contingency	1,634,040	1,634,040	-	1,634,040
Total Expenditures	<u>23,861,317</u>	<u>23,861,317</u>	<u>25,975,582</u>	<u>(2,114,265)</u>
(Deficit) Excess of Revenues Over Expenditures	<u>(3,687,817)</u>	<u>(3,687,817)</u>	<u>219,421</u>	<u>3,907,238</u>
Other Financing (Uses) Sources				
Operating Transfers Out	-	-	(725,189)	(725,189)
Proceeds from Issuance of Capital Leases	-	-	1,036,341	1,036,341
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>311,152</u>	<u>311,152</u>
Net Change in Fund Balance	<u>(3,687,817)</u>	<u>(3,687,817)</u>	<u>530,573</u>	<u>4,218,390</u>
Fund Balance July 1, 2014	<u>3,694,270</u>	<u>3,694,270</u>	<u>3,694,270</u>	<u>-</u>
Fund Balance June 30, 2015	<u>\$ 6,453</u>	<u>\$ 6,453</u>	<u>\$ 4,224,843</u>	<u>\$ 4,218,390</u>

FORT THOMAS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		with Final Budget (Unfavorable) Favorable
Revenues				
State Sources	\$ 428,379	\$ 428,379	\$ 402,536	\$ (25,843)
Federal Sources	680,725	680,725	664,273	(16,452)
Other Sources	-	-	181,623	181,623
Total Revenues	1,109,104	1,109,104	1,248,432	139,328
Expenditures				
Instructional	894,592	894,592	997,464	(102,872)
Support Services				
Student	80,650	80,650	44,718	35,932
Instructional Staff	88,957	88,957	152,659	(63,702)
District Administration	-	-	10,569	(10,569)
Student Transportation	44,905	44,905	100,565	(55,660)
Community Services	-	-	19,490	(19,490)
Total Expenditures	1,109,104	1,109,104	1,325,465	(216,361)
(Deficit) Excess of Revenues Over Expenditures	-	-	(77,033)	(77,033)
Other Financing Sources				
Operating Transfers In	-	-	77,033	77,033
Net Change in Fund Balance	-	-	-	-
Fund Balance July 1, 2014	-	-	-	-
Fund Balance June 30, 2015	\$ -	\$ -	\$ -	\$ -

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 JUNE 30,**

County Employees Retirement System

	2015
District's Proportion of the Net Pension Liability (Asset)	0.13%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 4,288,514
District's Covered - Employee Payroll	\$ 3,049,942
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	140.61%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
JUNE 30,**

**County Employees Retirement System
Last 3 Fiscal Years**

<u>Nonhazardous</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 529,157	\$ 576,133	\$ 566,170
Contributions in Relation to the Contractually Required Contribution	<u>(529,157)</u>	<u>(576,133)</u>	<u>(566,170)</u>
Contribution Deficiency (Excess)	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>
District's Covered-Employee Payroll	\$ <u>2,994,701</u>	\$ <u>3,049,942</u>	\$ <u>2,895,942</u>
Contributions as a Percentage of Covered-Employee Payroll	17.67%	18.89%	19.55%

OTHER SUPPLEMENTARY INFORMATION

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2015**

	SEEK Capital Outlay Fund	FSPK Building Fund	Total Non-Major Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and Cash Equivalents	\$ 2,911	\$ 49,648	\$ 52,559
Accounts Receivable	-	722	722
	<u> </u>	<u> </u>	<u> </u>
Total Assets	\$ <u>2,911</u>	\$ <u>50,370</u>	\$ <u>53,281</u>
 Fund Balances			
Restricted			
Capital Outlay and Building Fund	\$ <u>2,911</u>	\$ <u>50,370</u>	\$ <u>53,281</u>
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	\$ <u>2,911</u>	\$ <u>50,370</u>	\$ <u>53,281</u>

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015**

	SEEK Capital Outlay Fund	FSPK Building Fund	Total Non-Major Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Revenues			
Taxes	\$ -	\$ 1,398,587	\$ 1,398,587
Earnings on Investments	554	601	1,155
State Sources	<u>272,202</u>	<u>789,326</u>	<u>1,061,528</u>
 Total Revenues	 <u>272,756</u>	 <u>2,188,514</u>	 <u>2,461,270</u>
 Other Financing (Uses) Sources			
Operating Transfers Out	(526,226)	(6,613,587)	(7,139,813)
Proceeds from Issuance of Bonds	-	4,575,000	4,575,000
Bond Issuance Costs	-	(35,700)	(35,700)
Underwriters' Discount on Bond Sale	<u>-</u>	<u>(80,074)</u>	<u>(80,074)</u>
 Total Other Financing Uses	 <u>(526,226)</u>	 <u>(2,154,361)</u>	 <u>(2,680,587)</u>
 Net Change in Fund Balance	 (253,470)	 34,153	 (219,317)
 Fund Balance July 1, 2014	 <u>256,381</u>	 <u>16,217</u>	 <u>272,598</u>
 Fund Balance June 30, 2015	 <u>\$ 2,911</u>	 <u>\$ 50,370</u>	 <u>\$ 53,281</u>

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
HIGHLANDS HIGH SCHOOL ACTIVITY FUNDS
YEAR ENDED JUNE 30, 2015**

Fund Accounts	Cash Balances July 1, 2014	Receipts	Disbursements	Cash Balances June 30, 2015	Accounts Receivable	Accounts Payable	Fund Balances June 30, 2015
Academic Team	\$ 126	\$ 200	\$ 85	\$ 241	\$ -	\$ -	\$ 241
Academic Competition Grants - Tom Jones	5,107	10,000	7,358	7,749	-	-	7,749
Art Club	1,420	480	808	1,092	-	-	1,092
Art Fees	1,106	5,668	5,138	1,636	-	-	1,636
Athletic Hall of Fame	-	1,000	-	1,000	-	-	1,000
BAM	1,557	26,532	24,016	4,073	-	-	4,073
Band	10,165	24,433	26,894	7,704	-	-	7,704
Bank Adjustments	-	20	20	-	-	-	-
Baseball	5,775	39,699	40,341	5,133	-	-	5,133
Baseball Regional Tournament	-	581	581	-	-	-	-
Baseball State Tournament	-	4,140	4,140	-	-	-	-
Bookstore	55,152	43,033	39,732	58,453	-	-	58,453
Boys Basketball	12,321	25,547	26,364	11,504	-	-	11,504
Boys Basketball District Tourney	-	279	279	-	-	-	-
Boys Golf	-	91	91	-	-	-	-
Boys Soccer	3,905	19,313	9,738	13,480	-	-	13,480
Boys Track	1,466	969	585	1,850	-	-	1,850
Cafeteria	67	140	110	97	-	-	97
Cheerleaders	3,000	14,549	14,920	2,629	-	-	2,629
Chorus	1,527	7,079	7,308	1,298	-	-	1,298
Contemporary Issues Field Trip	-	-	(570)	570	-	-	570
Creative Writing	5	-	-	5	-	-	5
Credit Card Fees	-	377	377	-	-	-	-
Cross Country	-	6,590	4,067	2,523	-	-	2,523
Dance Team	381	19,377	19,229	529	-	-	529
Dance Team - Nationals	-	43,679	43,679	-	-	-	-
District Softball Tournament	1,204	2,293	3,497	-	-	-	-
Drama	19,343	24,961	27,860	16,444	-	-	16,444
English Department	627	-	-	627	-	-	627

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
HIGHLANDS HIGH SCHOOL ACTIVITY FUNDS
YEAR ENDED JUNE 30, 2015
(Continued)**

Fund Accounts	Cash Balances July 1, 2014	Receipts	Disbursements	Cash Balances June 30, 2015	Accounts Receivable	Accounts Payable	Fund Balances June 30, 2015
Envirothon	\$ 315	\$ 25	\$ 340	\$ -	\$ -	\$ -	\$ -
Faculty/Staff Resource Fund	2,769	1,000	478	3,291	-	-	3,291
Family and Consumer Science	983	3,288	3,087	1,184	-	-	1,184
Fashion and Interior Design	3,420	11,508	12,694	2,234	-	-	2,234
FBLA	62	2,173	2,023	212	-	-	212
FCCLA	16,082	16,070	10,999	21,153	-	-	21,153
Football	42,241	50,841	45,021	48,061	-	-	48,061
Football 1st Round	-	5,077	5,077	-	-	-	-
Football 2nd Round	-	3,979	3,979	-	-	-	-
Football 3rd Round	-	6,880	6,880	-	-	-	-
Football 4th Round	-	8,111	8,111	-	-	-	-
Football Championship	-	5,186	5,186	-	-	-	-
General Fund	21,713	-	811	20,902	-	-	20,902
German Club	523	292	658	157	-	-	157
Girls Basketball	2,931	21,745	20,697	3,979	-	-	3,979
Girls Basketball District Tournament	-	279	279	-	-	-	-
Girls Basketball Regional Tournament	-	6,522	6,522	-	-	-	-
Girls Golf	514	11,074	8,351	3,237	-	-	3,237
Girls Soccer	-	9,510	3,267	6,243	-	-	6,243
Girls Tennis	4,468	-	-	4,468	-	-	4,468
Girls Track	-	1,264	1,264	-	-	-	-
Green Club	314	-	168	146	-	-	146
Guidance Office	36,748	113,691	110,256	40,183	-	-	40,183
History Club	-	1,193	1,193	-	-	-	-
HMS Athletic Tournaments	-	2,796	2,796	-	-	-	-
HMS Dance Team	1,266	18,036	18,529	773	-	-	773
Hospitality/Culinary	2,811	603	2,359	1,055	-	-	1,055
Industrial Arts Club	266	-	-	266	-	-	266
Industrial Arts Department	1,052	-	-	1,052	-	-	1,052

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
HIGHLANDS HIGH SCHOOL ACTIVITY FUNDS
YEAR ENDED JUNE 30, 2015
(Continued)**

Fund Accounts	Cash Balances July 1, 2014	Receipts	Disbursements	Cash Balances June 30, 2015	Accounts Receivable	Accounts Payable	Fund Balances June 30, 2015
Instructional Fees	\$ 89,897	\$ 26,872	\$ 26,401	\$ 90,368	\$ 17,327	\$ -	\$ 107,695
Interest Earned	13,976	1,322	-	15,298	-	-	15,298
Intramural Basketball	78	1,120	739	459	-	-	459
Junior Prom	3,758	22,553	21,050	5,261	-	-	5,261
JV Dance Team	251	14,925	15,160	16	-	-	16
Math Honor Society	17	434	410	41	-	-	41
Mock Trial	1,841	11,320	8,462	4,699	-	-	4,699
National German Exam	-	645	645	-	-	-	-
National Honor Society	1,566	2,135	1,448	2,253	-	-	2,253
NEHS	253	1,275	724	804	-	-	804
NSE	-	530	530	-	-	-	-
NSHS	324	200	301	223	-	-	223
Pot Luck Luncheons	149	385	409	125	-	-	125
Principal	27,539	5,109	6,934	25,714	-	-	25,714
Resource Center	2,909	111	2,347	673	-	-	673
Robotics Team	8,691	565	7,919	1,337	-	-	1,337
Science Fees	37,929	20,180	19,088	39,021	-	-	39,021
Science - Field Trips	-	353	353	-	-	-	-
Scholarships	8,261	14,325	12,825	9,761	-	-	9,761
Senior Class	1,432	3,138	885	3,685	-	-	3,685
Senior Class - Sam Scott Scholarship	3,052	3,690	6,742	-	-	-	-
Service Learning Projects	-	500	-	500	-	-	500
Sinfonia Orchestra	1,984	17,824	17,289	2,519	-	-	2,519
Spanish Club	1,259	359	281	1,337	-	-	1,337
Speech/Debate	3,296	2,945	2,778	3,463	-	-	3,463
Softball	4,500	10,717	12,510	2,707	-	-	2,707
Softball - Regional Tourney	-	223	223	-	-	-	-
STLP	50	-	-	50	-	-	50
Student Coke Commission	3,223	342	-	3,565	-	-	3,565

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
HIGHLANDS HIGH SCHOOL ACTIVITY FUNDS
YEAR ENDED JUNE 30, 2015
(Continued)**

Fund Accounts	Cash Balances July 1, 2014	Receipts	Disbursements	Cash Balances June 30, 2015	Accounts Receivable	Accounts Payable	Fund Balances June 30, 2015
Student Council	\$ 9,737	\$ 6,033	\$ 5,015	\$ 10,755	\$ -	\$ -	\$ 10,755
Student Fees - Suspense	-	9,743	-	9,743	-	-	9,743
Surplus Payments	-	285	-	285	-	-	285
Swimming	399	640	845	194	-	-	194
Textbook Rental	25,031	42,428	59,433	8,026	-	-	8,026
Tri-M Music Honor Society	-	490	346	144	-	-	144
Video Productions	1,159	2,795	2,776	1,178	-	-	1,178
Volleyball	5,105	27,146	17,290	14,961	-	-	14,961
We The People	-	20,462	20,462	-	-	-	-
Yearbook/Journalism	14,868	14,938	11,132	18,674	-	-	18,674
Total General	535,266	911,230	871,424	575,072	17,327	-	592,399
Total Athletic Department	36,588	636,544	585,202	87,930	-	-	87,930
Total	<u>\$ 571,854</u>	<u>\$ 1,547,774</u>	<u>\$ 1,456,626</u>	<u>\$ 663,002</u>	<u>\$ 17,327</u>	<u>\$ -</u>	<u>\$ 680,329</u>

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
OTHER SCHOOL ACTIVITY FUNDS
YEAR ENDED JUNE 30, 2015**

	<u>Robert Johnson Elementary School</u>	<u>Ruth Moyer Elementary School</u>	<u>Samuel Woodfill Elementary School</u>	<u>Highlands Middle School</u>	<u>Total</u>
Cash Balance at July 1, 2014	\$ 33,853	\$ 57,647	\$ 9,702	\$ 80,050	\$ 181,252
Add: Receipts	51,512	71,556	55,159	156,564	334,791
Less: Disbursements	<u>(54,338)</u>	<u>(73,317)</u>	<u>(55,752)</u>	<u>(200,910)</u>	<u>(384,317)</u>
Cash Balance at June 30, 2015	31,027	55,886	9,109	35,704	131,726
Accounts Receivable	-	-	-	-	-
Accounts Payable	<u>-</u>	<u>-</u>	<u>(1,019)</u>	<u>-</u>	<u>(1,019)</u>
Fund Balance at June 30, 2015	<u>\$ 31,027</u>	<u>\$ 55,886</u>	<u>\$ 8,090</u>	<u>\$ 35,704</u>	<u>\$ 130,707</u>

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015**

<u>Federal Grants/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantors Number</u>	<u>Expenditures</u>	<u>Program/ Cluster Total</u>
U.S. Department of Education				
<i>Passed Through State Department of Education</i>				
Title I - Vocational Education Grants to States	84.048	4621232	\$ <u>15,409</u>	\$ <u>15,409</u>
Title II - Improving Teacher Quality State Grant	84.367	3230002	<u>75,579</u>	<u>75,579</u>
<u>Title I Cluster</u>				
Title I - Grants to Local Education Agencies	84.010	3100002	<u>159,812</u>	<u>159,812</u>
<u>Special Education Cluster</u>				
Special Education Grants to States	84.027	3810002	396,877	
Special Education Preschool Grants	84.173	3800002	<u>17,102</u>	<u>413,979</u>
Total Expenditures of Federal Awards			\$ <u><u>664,779</u></u>	\$ <u><u>664,779</u></u>

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Fort Thomas Independent School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of U.S. OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS	
Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
<ul style="list-style-type: none"> • Material weakness(es) identified? 	No
<ul style="list-style-type: none"> • Significant deficiency(ies) identified? 	None reported
Noncompliance material to financial statements noted?	No
FEDERAL AWARDS	
Internal control over major programs:	
<ul style="list-style-type: none"> • Material weakness(es) identified? 	No
<ul style="list-style-type: none"> • Significant deficiency(ies) identified? 	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 OMB Circular A-133?	No
Identification of major programs:	<ul style="list-style-type: none"> • Special Education Cluster [CFDA #84.027 and #84.173]
Dollar threshold used to distinguish between type A and type B programs:	Type A: > \$300,000 Type B: > all others
Auditee qualified as low-risk auditee?	Yes

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015
(Continued)**

SECTION II - FINANCIAL STATEMENT FINDINGS

None Reported

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None Reported

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

None Reported

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

Kentucky State Committee for School District Audits and
Members of the Board of Education
Fort Thomas Independent School District
Fort Thomas, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the Independent Auditor's Contract – General Audit Requirements, State Compliance Requirements, Appendix I to the Independent Auditor's Contract – Audit Extension Request and Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Report, Audit Acceptance Statement and Statement of Certification, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fort Thomas Independent School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Fort Thomas Independent School District's basic financial statements, and have issued our report thereon dated November 5, 2015.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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.

Kentucky State Committee for School District Audits and
Members of the Board of Education
Fort Thomas Independent School District

Compliance and Other Matters

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

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.

VonLehman & Company Inc.

Fort Mitchell, Kentucky
November 5, 2015

**INDEPENDENT AUDITORS' 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 and
Members of the Board of Education
Fort Thomas Independent School District
Fort Thomas, Kentucky

Report on Compliance for Each Major Federal Program

We have audited the Fort Thomas Independent 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. The Fort Thomas Independent School District's major federal programs are identified in the summary of auditors' result section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the Fort Thomas Independent 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 Fort Thomas Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Fort Thomas Independent 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

VonLehman & Company Inc.

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Kentucky State Committee for School District Audits and
Members of the Board of Education
Fort Thomas Independent School District
Fort Thomas, Kentucky

In planning and performing our audit of the financial statements of the Fort Thomas Independent School District (the District) for the year ended June 30, 2015, we considered the District's internal controls in order to determine the audit procedures that are appropriate for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal controls.

During the course of our audit we select samples of activity for our auditing tests. Through these procedures we became aware of a few matters that are opportunities for strengthening internal controls and operating efficiency. The following summarizes our comments and suggestions regarding these matters. We previously reported on the District's internal controls in our report dated November 5, 2015. This letter does not affect our report dated November 5, 2015 on the financial statements of the Fort Thomas Independent School District.

Our findings are presented on the following pages.

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED JUNE 30, 2015
(CONTINUED)**

CURRENT YEAR RECOMMENDATIONS

ITEM 01- ACTIVITY FUNDS

General Findings for All Schools

- There were instances noted where deposits were not made in a timely manner. It is recommended that deposits greater than one hundred dollars be made the day the deposit is received and deposits less than one hundred dollars be made on at least a weekly basis. For money collected after school business hours for evening events, the money shall be placed in a night depository or night drop at a bank or in the locked school safe and processed for deposit the following business day.
- There were instances noted where the purchase order was prepared after the payment was obligated. It is recommended that the purchase order be prepared and approved by the sponsor and principal before the payment is obligated for every purchase.
- It was noted that the schools did not implement the new "Accounting Procedures for Kentucky School Activity Funds" effective July 1, 2013. We recommend the school treasurers review the School Activity Fund account balances to ensure the proper procedures are implemented and in compliance with the "Accounting Procedures for Kentucky School activity Funds" effective July 1, 2013.

Highlands High School

- It was noted that there were instances where teachers were not remitting money timely to the school treasurer. It is recommended that all money collected by teachers be given to the school treasurer on the day collected or, if the money is collected after school business hours for evening or weekend events, on the next business day.
- It was noted on the Multiple Receipt Form (Form F-SA-6) that teachers were writing in student's names rather than having the students sign the form. It is recommended that students third grade and above sign the Multiple Receipt Form.
- There were instances noted where invoices were not stamped "Paid". We recommend all invoices be stamped "Paid" in order to properly cancel the invoice.
- It was noted that the bank reconciliations are not being performed on a timely basis. We recommend that the school treasurer reconcile the bank statements on a monthly basis. This will assist in recognizing and resolving any issues or errors on a timely basis.
- It was noted that the principal is not receiving the bank statements prior to the bank reconciliation being performed. We recommend the bank statement be emailed directly (if electronically) or opened (if mailed or picked up) by the principal prior to the treasurer having access to it.

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED JUNE 30, 2015
(CONTINUED)**

Highlands Middle School

- It was noted that the Requisition and Report of Ticket Sales (Form F-SA-1) was being prepared at the high school for the middle school play. However, the form was not being returned to the middle school treasurer to be completed. We recommend the person in charge of sales, the ticket taker, and the school treasurer sign the Requisition and Report of Ticket Sales and for the school treasurer to maintain the form to match up with the deposit.
- It was noted that there were instances where teachers were not remitting money timely to the school treasurer. It is recommended that all money collected by teachers be given to the school treasurer on the day collected or, if the money is collected after school business hours for evening or weekend events, on the next business day.

Johnson Elementary School

- No specific school findings.

Woodfill Elementary School

- It was noted on the Multiple Receipt Form (Form F-SA-6) that teachers were writing in student's names rather than having the students sign the form. It is recommended that students third grade and above sign the Multiple Receipt Form.

Moyer Elementary School

- No specific school findings.

MANAGEMENT'S RESPONSE

- Teachers, staff, booster organizations and administrators have been trained on the latest Redbook forms and procedures by an expert consultant. The supporting documentation will be reviewed periodically to make sure the proper forms and procedures are being followed.

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED JUNE 30, 2015
(CONTINUED)**

STATUS OF PRIOR RECOMMENDATIONS

The following section is presented for the purposes of providing an update on the status of our management letter points presented as of and for the year ended June 30, 2014. The recommendations and current status of those recommendations are as follows:

ITEM 01- ACTIVITY FUNDS

General Findings for All Schools

- None reported.

Highlands High School

- It was noted that there were instances where teachers were not remitting money timely to the school treasurer. It is recommended that all money collected by teachers be given to the school treasurer on the day collected.

Current Status: Repeat recommendation for 2015 as a General Finding for All Schools.

- It was noted that there were instances where the school treasurer collected money directly from students or parents. It is recommended that the treasurer not collect money directly from the student or parents.

Current Status: Issue resolved.

Highlands Middle School

- No specific school findings reported.

Johnson Elementary School

- No specific school findings reported.

Woodfill Elementary School

- There were instances noted where deposits were not made in a timely manner. It is recommended that deposits greater than one hundred dollars be made the day the deposit is received and deposits less than one hundred dollars be made within one business day.

Current Status: Repeat recommendation for 2015 as a General Finding for All Schools.

Moyer Elementary School

- There was one instance where a fundraiser did not have the principal's approval. It is recommended that all fundraisers have written principal approval.

Current Status: Issue resolved.