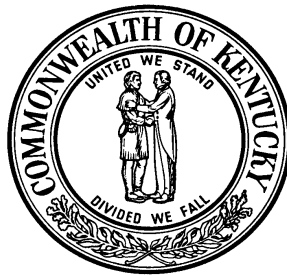


**REPORT OF THE AUDIT OF THE
NORTHERN KENTUCKY COOPERATIVE FOR
EDUCATIONAL SERVICES, INC.**

**For The Fiscal Year Ended
June 30, 2015**



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Matthew G. Bevin, Governor

William M. Landrum III, Secretary, Finance and Administration Cabinet

Stephen L. Pruitt, Commissioner, Department of Education

David Byerman, Director, Legislative Research Commission

Board of Directors, Northern Kentucky Cooperative for Educational Services, Inc.

The enclosed report prepared by Tichenor & Associates, LLP, Certified Public Accountants, presents the financial statements of the Northern Kentucky Cooperative for Educational Services, Inc., Cold Spring, Kentucky, as of June 30, 2015.

We engaged Tichenor & Associates, LLP to perform the financial audit of this educational cooperative. We worked closely with the firm during our report review process; Tichenor & Associates, LLP evaluated the Northern Kentucky Cooperative for Educational Services, Inc.'s internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Mike Harmon
Auditor of Public Accounts

Enclosure



**NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL
SERVICES, INC.**

FINANCIAL STATEMENTS

June 30, 2015

**Tichenor & Associates, LLP
1700 Eastpoint Parkway, Suite 270
Louisville, KY 40223**

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TICHENOR & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS and MANAGEMENT CONSULTANTS

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To the People of Kentucky
Honorable Matthew G. Bevin, Governor
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Board of Directors, Northern Kentucky Cooperative for Educational Services, Inc.

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of Northern Kentucky Cooperative for Educational Services, Inc. (a non-profit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses, and cash flow for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

To the People of Kentucky
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Board of Directors, Northern Kentucky Cooperative for Educational Services, Inc.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of Northern Kentucky Cooperative for Educational Services, Inc. as of June 30, 2015, and changes in its net assets and its cash flow for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of support and revenues and expenses on Page 20 and the accompanying schedule of expenditures of federal awards, as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

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

Tichenor & Associates, LLP

Tichenor & Associates, LLP
Louisville, Kentucky
November 13, 2015

NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2015

ASSETS

Cash and equivalents	\$ 471,508
Grant funds receivable	392,998
Accounts receivable	63,352
Prepaid expenses	47,416
Total Current Assets	<u>975,274</u>
 Property and equipment, net	 <u>1,428,549</u>
 TOTAL ASSETS	 <u>\$ 2,403,823</u>

LIABILITIES

Current liabilities	
Accounts payable	\$ 87,010
Total Current Liabilities	<u>87,010</u>
 Long-term liabilities	
Accrued liability - sick leave earned	<u>19,063</u>
Total long-term liabilities	<u>19,063</u>
 TOTAL LIABILITIES	 <u>106,073</u>

NET ASSETS

Unrestricted	
Undesignated	2,234,377
Designated for sick leave earned	63,373
Total Net Assets	<u>2,297,750</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 2,403,823</u>

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

NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDING JUNE 30, 2015

UNRESTRICTED REVENUES

Unrestricted revenues

VI RECEIPTS	\$ 78,740
MILEAGE	2,996
MEMBERSHIPS	73,057
MEMBERSHIP DUES - NKS	1,000
SLOTS/TUITION	1,255,320
INTEREST	6,977
REGISTRATIONS	60,690
LOCAL GRANT RECEIPTS	64,270
REFUNDS AND REIMBURSEMENTS	105,878
KEDC REBATE (KPC)	46,140
INDIRECT COSTS RECEIPTS	368,700
MISCELLANEOUS REVENUES	32,025
SEEK FUNDS/ADA	213,110
FEDERAL RECEIPTS RELEASED FROM RESTRICTIONS	<u>3,314,031</u>

TOTAL UNRESTRICTED REVENUES 5,622,934

EXPENSES

CERTIFIED PERSONNEL	1,841,807
CLASSIFIED PERSONNEL	735,027
LIFE INSURANCE	463
DENTAL INSURANCE	181
SOCIAL SECURITY TAX	41,954
MEDICARE TAX	32,912
TEACHER RETIREMENT	134,725
COUNTY RETIREMENT	128,123
HEALTH INSURANCE	108,831
UNEMPLOYMENT	35,780
WORKERS COMPENSATION	12,223
SICK LEAVE PROGRAM	58,449
ADMINISTRATIVE COST - INSURANCE	1,172
EDUCATIONAL SERVICES	183,729
OTHER PROFESSIONAL SERVICES	140,122
AUDIT	12,534
PAYROLL SERVICES	5,936
CONTRACTED SERVICE	812,120
REGISTRATION FEE	16,186
TECHNICAL SERVICES	49,787
OCCUPATIONAL THERAPY/PHYSICAL THERAPY	2,004
MOWING	11,537
SANITATION SERVICE	5,624
REPAIR/MAINTENANCE	64,003
POSTAGE MACHINE RENTAL	1,241

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

NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.
STATEMENT OF ACTIVITIES (Continued)
FOR THE YEAR ENDING JUNE 30, 2015

EXPENSES (Continued)

LIABILITY INSURANCE	461
BONDING INSURANCE	253
POSTAGE	1,439
TELEPHONE	8,321
ADVERTISING	399
PRINTING	19,967
TRAVEL	198,134
ENRICHMENT ACTIVITIES	11,529
FOOD	12,804
CLOTHING	1,056
SUPPLIES	134,231
JANITORIAL SUPPLIES	2,270
UTILITIES - GAS/ELECTRIC	46,082
BOOKS/PERIODICALS	45,872
SOFTWARE/SOFTWARE MAINTENANCE	19,140
DEPRECIATION	65,328
FURNITURE	12,141
COMPUTERS	22,800
OTHER INSTRUCTIONAL EQUIPMENT	2,321
DUES AND FEES	23,792
DISTRICT RECORD FEE	30,000
REFUNDS	11,327
INDIRECT COSTS	358,145
TOTAL EXPENSES	<u>5,464,282</u>

INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS 158,652

TEMPORARILY RESTRICTED NET ASSETS

REVENUES	
FEDERAL GRANTS	2,231,097
STATE GRANTS	1,082,934
NET ASSETS RELEASED FROM RESTRICTIONS	
FEDERAL GRANTS	(2,231,097)
STATE GRANTS	<u>(1,082,934)</u>

INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS -

CHANGE IN NET ASSETS 158,652

NET ASSETS AS OF BEGINNING OF YEAR - RESTATED (Note I) 2,139,098

NET ASSETS AS OF END OF YEAR \$ 2,297,750

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

NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.

Statement of Cash Flow

For the Year Ended June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 158,652
Adjustments to reconcile change in net assets	
Depreciation	65,328
Increase/(decrease) in unrestricted net assets	(94,112)
(Increase)/decrease in accounts receivable	55,035
(Increase)/decrease in prepaid expenses	(47,416)
Increase/(decrease) in accounts payable	9,206
Increase/(decrease) in KSBIT Assessment	(20,927)
NET CASH (USED FOR) PROVIDED BY OPERATING ACTIVITIES	125,766

CASH FLOWS FROM FINANCING ACTIVITIES

Principal payments on bonds	(130,888)
NET CASH (USED FOR) FINANCING ACTIVITIES	(130,888)

NET INCREASE (DECREASE) IN CASH (5,122)

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 476,630

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 471,508

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

NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Northern Kentucky Cooperative for Educational Services, Inc. (Cooperative) is a non-profit corporation established to coordinate and administer federal programs for participating local school districts in Kentucky, to provide centralized purchasing for the districts, and to provide special education services jointly with local education agencies.

Funds to operate the Cooperative are obtained primarily from grants, awards from the Kentucky Department of Education and the Educational Professional Standards Board and through membership dues paid by local educational districts.

All federal grants are restricted and may be used only for purposes specified by the grantor. Each grantor requires separate reporting of support and expenditures and changes in net assets applicable to its funding.

The Cooperative also restricts the use of grants received from state and local sources. These grants are listed also as temporarily restricted until restrictions have been satisfied and revenues and expenditures are recognized as such.

A portion of cash and equivalents are designated for the future compensation of employees for unused sick leave at the time of retirement. The Board, in May 2004, created an escrow account to maintain the funds necessary to pay employees who qualify for the unused sick leave retirement. To assist with a fair share of funding the escrow account, each Cooperative program funding full time employees will contribute a percentage of the program's salaries processed through the Cooperative's payroll system. The initial percentage was .25%. The balance of the unused sick leave escrow account was \$19,238 as of June 30, 2015.

The Cooperative records equipment expenditures based on the source of funds utilized to acquire such equipment.

Unrestricted Funds-Equipment is capitalized at cost and depreciation is provided on the straight-line method over the estimated useful lives of the assets.

Restricted Funds-Equipment is expensed due to the grantor requirement that title to equipment acquired with grantor funds remains with grantor.

Deferred grant revenue represents grantor funds received but not yet expended for the underlying grant program.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Cooperative considers all monies in banks and investments with maturities of three months or less to be cash equivalents. Deposits are carried at cost, which approximates market value.

NOTE B -- INCOME TAXES

The Cooperative is a non-profit organization that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. The Cooperative files Federal form 990, return of organization exempt from income tax.

NOTE C -- ESTIMATES IN THE FINANCIAL STATEMENTS

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures 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 D -- PROGRAM DESCRIPTIONS

The Phoenix Program

The Cooperative was instrumental in the development of a regional school program serving school age students who have emotional and behavioral deficits. The Phoenix Program began in 1998 and is located at the Cold Spring location of the Cooperative. The program currently serves students from twelve school districts throughout the Cooperative's region.

The intent of the program is to assist school districts by providing self-contained classrooms within an alternative school setting (if the student's IEP warrants such a placement). The objective of special education is to provide a continuum of services; the Phoenix Program has and will continue to provide that service.

NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

NOTE D -- PROGRAM DESCRIPTIONS (CONTINUED)

Participating school districts become active members of the program. Each school district's Superintendent and Special Education Director make up the Phoenix Program's Board. Costs, budgets, policies, procedures, transitions, alignment with Kentucky's educational standards, and implementation of special education procedures are some of the topics discussed in monthly meetings. The Program is truly a collaborative effort among the participating school districts.

Part of the funding is received from the Kentucky Education Consortium of State Agency Children (KESAC). The funds are based on a formula of the number of eligible children served in the program.

NKY Learning Academy

Three member districts participate in this regional alternative school program, which the program serves 8 students in grades 4-12 who have problems in the traditional school program and are at-risk for academic failure and dropping out of school. Funding for the program comes from the Average Daily Attendance (ADA) generated by each student plus excess costs, which are paid by the participating district. Participating districts in the Learning Academy's Advisory Committee develop the budget.

Challenge Program

This regional school program serves school age students who have functional mental disabilities with behavior issues. The Program currently serves students from five school districts within the Cooperative's region. The intent of the program is to assist school districts by providing self-contained classrooms within an alternative school setting. Participating school districts become active members of the program. Costs, budgets, policies, procedures, transitions, alignment with Kentucky's educational standards and implementation of special education procedures are some of the topics discussed in the committee meetings.

IDEA B Special Education Cooperative

All sixteen-member districts participate in the Special Education Cooperative. The Kentucky Department of Education awards the federal IDEA state-share restricted funds to the Cooperative based upon a grant proposal presented to them in March. The focus of the budget is on direct services to children. These services include occupational therapy, physical therapy, speech therapy, medical evaluations, tuition and transportation costs. Technical assistance is also included.

Vocational Assessment

The Office of Vocational Rehabilitation contracts with the Cooperative to provide vocational assessments to school-aged clients who are eligible for Vocational Rehabilitation services. Referrals are made from the Vocational Rehabilitation counselors to the Vocational Assessment Center. Assessment information is provided to the schools, students and counselors.

NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

NOTE D -- PROGRAM DESCRIPTIONS (CONTINUED)

Professional Development Consortium

Sixteen member districts participate in the Professional Development Consortium. The professional development offerings coordinated by the Advisory Committee focus strictly on state required mandates relating to the Kentucky Education Reform Act. Sessions are offered during the fall, spring and summer. Participating districts have established a dues formula and session costs for the program.

Family Resource

This Memorandum of Agreement is for personnel services through the Kentucky Department for Health and Family Services. It is for Family and Youth Service Center Consultants who are serving in the Regional Centers.

District Flow Through

The Cooperative coordinates multiple services that individual school districts could not afford to fund individually. This fund is set up to contract with professional agencies and individuals, such as therapists, counselors and psychologists to provide shared professional services to the local school districts. The member districts are billed from the Cooperative office for reimbursements for these shared services.

English Language Acquisition (ESL) Program

The Cooperative's ESL Program was created to aid school districts of Northern Kentucky with the identification, assessment, planning and instruction of students whose first and home language is a language other than English. The Program's objectives are to ensure that Northern Kentucky schools are in compliance with state and federal guidelines for English Language Learners and to meet the needs of these students and help them achieve academic success. The federal government has provided guidelines and standards in No Child Left Behind, Title III, for the education of English Language Learners, to which the state of Kentucky holds each school accountable. Through NKCES, participating school districts have employed the services of two English-as-a-Second Language (ESL) Consultants. The consultants help schools identify potential ESLs and then test their language proficiency to determine if they qualify for services. When students qualify, the consultants make recommendations to the school district regarding what action might be taken to help the students attain English proficiency and function with their classmates at grade level.

Division of Aging

The Cooperative serves as the Fiscal Agent for the Division of Aging who coordinates a Statewide Health and Safety Program targeting Kentucky's senior population and their caregivers.

Grants Consortium

Thirteen member districts participate in the Grants Consortium. This offers grant writing on behalf of member districts as well as grant writing workshops for individuals from participating districts. Participating districts have established a dues formula for this program.

NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

NOTE D -- PROGRAM DESCRIPTIONS (CONTINUED)

Content Leadership Networks

The Content Leadership Networks is through the Kentucky Department of Education in order to build a statewide system in both Mathematics and English Language Arts. There are eight geographically distributed Networks for each of Mathematics and English Language Arts throughout the state. Each site has representation from education cooperatives and institutions of higher education.

Wellness Alliance (PEP) Grant

Objectives of the Wellness Alliance Plan are based on Kentucky State Standards: to provide instruction and experiences that will help students understand that proper nutrition is essential to growth and development; to provide instruction and experiences that will help students understand that resources are available to assist in making nutritional choices; to provide instruction and experiences that will help students understand that motor skills need to be refined, combined and varied in the development of specialized skills; to provide instruction and experiences that will help students understand that leisure/recreational or competitive physical activities provide opportunities for self-expression, social interactions and can be enjoyable and challenging; and to provide instruction and experiences that will help students understand that regular participation in health-related physical activity supports the goals of fitness and a healthier lifestyle throughout life.

Elementary and Secondary School Counseling Program (ESSC) Grant

The purpose of the NKCES Elementary and Secondary School Counseling Program is to establish and expand professional school counseling programs in Northern Kentucky schools. (Absolute Priority 1) By expanding counseling programs where services have been minimal this project is designed to meet the needs of all students, with more intensive support as student needs increase. The project will enable these schools to approach the recommended ratio for school counselors, bringing the project ratio to 1:261 from the 2012 baseline of 1:411 and the 2011 baseline of 1:360, and it will provide additional supports to ensure the counselors do not get sidetracked with non-counseling administrative duties.

NOTE E -- PROPERTY AND EQUIPMENT

The Cooperative acquired a building in June 2003 and renovated it during the fiscal years ended June 30, 2006 and 2007. The building is depreciated using the straight-line method over a 39-year useful life. The Cooperative depreciates equipment using the straight-line method over a five-year useful life. Depreciation expense was \$65,328 for the year ending June 30, 2015. The balance of property and equipment of the Cooperative as of June 30, 2015 is as follows:

NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

NOTE E -- PROPERTY AND EQUIPMENT (CONTINUED)

Land	\$ 200,000
Building	1,583,331
Equipment	<u>266,121</u>
	2,049,452
Accumulated depreciation	<u>(620,903)</u>
Total Property and Equipment, Net	<u>\$ 1,428,549</u>

NOTE F -- CONCENTRATIONS AND CONTINGENCIES

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

The Cooperative secured pledges of securities from their financial institution to collateralize the deposits over FDIC insurance sufficiently as of June 30, 2015. However, at August 31, 2014, funds were exposed to custodial credit risk because the bank did not adequately collateralize the Cooperative's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured \$148,766

KSBIT CONTINGENT LIABILITY

In January 2013, the Cooperative was informed by the Kentucky School Boards Insurance Trust (KSBIT) that all current and past participating members of the workers' compensation and liability insurance funds would be assessed to fund significant deficits in these self-insured plan pools administered by the Kentucky School Boards Insurance Trust. Therefore, the Cooperative accrued a contingent liability in the governmental wide financial statements at June 30, 2013 equal to \$43,456. On June 4, 2014, the Franklin Circuit Court issued an order instructing the Rehabilitator to assess former insurance members based on a court approved assessment methodology. The Cooperative's total liability for this assessment is \$20,927. As of June 30, 2015, the contingent liability has been paid off.

NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

NOTE G -- BONDED DEBT

In October 2005, the Cooperative issued bonds totaling \$640,000 and bearing interest at rates ranging from 3.35% to 4.40% over a fifteen (15) year period. The purpose of this issue was for the renovation of the office building. The bonds are secured by the building. As of June 30, 2015, the debt has been paid off.

NOTE H -- RETIREMENT PLANS

A. KENTUCKY TEACHERS' RETIREMENT SYSTEM

The Northern Kentucky Cooperative for Educational Services, Inc. participates in the Kentucky Teachers' Retirement System (KTRS), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation. The plan provides benefit pension plan coverage for local school districts and other public educational entities within the state. All full-time employees occupying a position requiring certification by the Kentucky Department of Education are covered under the defined benefit plan administered by KTRS. Full-time employees whose job description requires a degree and who have a four-year college or university degree are also covered.

The Plan provides for retirement, disability, death, survivor and health benefits of its members. The KTRS annual financial report and other required disclosure information are available by writing the Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, Kentucky 40601-3868; or by calling 800-618-1687.

The Plan issues a separate comprehensive annual financial report that includes audited financial statements, notes and other required disclosure information which may be obtained by request from the Kentucky Teachers' Retirement System, 477 Versailles Road, Frankfort, Kentucky 40601.

Plan Description - KTRS provides for retirement, disability, death, survivor and health benefits to plan members. A member becomes vested after completing five (5) years of credited service. Special provisions may apply to members who accept a covered position after retirement. To qualify for monthly retirement benefits, payable for life, members prior to July 1, 2008 must either attain age fifty-five (55) and complete 5 years of Kentucky service or complete twenty-seven (27) years of Kentucky service. Members joining the plan on or after July 1, 2008 must either attain age sixty (60) and complete five (5) years of Kentucky service, or complete twenty-seven (27) years of Kentucky service, or attain age fifty-five (55) and complete ten (10) years of Kentucky service.

NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

NOTE H -- RETIREMENT PLANS (CONTINUED)

A. KENTUCKY TEACHERS' RETIREMENT SYSTEM (Continued)

Contributions - Contribution rates are established by Kentucky Revised Statutes. For the year ended June 30, 2015, members employed by local school districts were required to contribute 12.105 percent of their salaries to the System. The Cooperative as employer contributed 15.355 percent of salaries for members employed by federally funded grant programs. For member employees of the general fund, the Cooperative contributed 2.25 percent and the State contributed 13.105 percent of salary as a non-employer contributing entity. The member and employer contributions consist of retirement annuity contributions and other post-employment benefit contributions to the medical and life insurance plans. The member post-employment medical contribution is 2.25 percent. If a member leaves covered employment before accumulating five (5) years of credited service, accumulated member contributions to the retirement annuity plan plus interest are refunded upon on the member's request.

During the year ended June 30, 2015, the Cooperative contributed \$128,792 for employees of federal programs, or 100% of the required contribution. Employees contributed \$225,323 to the plan.

B. COUNTY EMPLOYEES' RETIREMENT SYSTEM

The Cooperative participates in the County Employees' Retirement System (CERS). CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in non-hazardous duty positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in CERS. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances.

The plan issues separate financial statements which may be obtained by request from Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601.

Plan Description - Under the provisions of Kentucky Revised Statute Section 61.645, the Board of Trustees (the Board) of Kentucky Retirement Systems (KRS) administers the Kentucky Employees Retirement System (KERS), County Employees Retirement System (CERS), and State Police Retirement System (SPRS). Although the assets of the plans are commingled for investment purposes, each plan's assets may be used only for the payment of benefits to the members of that plan, and a pro rata share of administrative costs, in accordance with the provisions of Kentucky Revised Statute Sections 16.555, 61.570, and 78.630.

NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

NOTE H -- RETIREMENT PLANS (CONTINUED)

B. COUNTY EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

Under the provisions of Kentucky Revised Statute Section 61.701, the Board of KRS administers the Kentucky Retirement Systems Insurance Fund. The statutes provide for a single insurance fund to provide group hospital and medical benefits to retirees drawing a benefit from the three pension funds administered by KRS: (1) KERS; (2) CERS; and (3) SPRS. The assets of the insurance fund are commingled for investment purposes.

CERS provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances.

The Plan's Employer Identification Number is 61-1431278.

Contributions - For the fiscal year ended June 30, 2015, plan members who began participating prior to September 1, 2008, were required to contribute 5% of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the 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, the Cooperative contributed 17.67% of each employee's creditable compensation.

Administrative costs of KRS are financed through employer contributions and investment earnings.

In accordance with House Bill 1, signed by the Governor on June 27, 2008, plan members who began participating on, or after, September 1, 2008, were required to contribute a total of 6% of their annual creditable compensation. Five percent of the contribution was deposited to the member's account while the 1% was deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E). Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1% contribution to the 401(h) account is non-refundable and is forfeited. For plan members who began participating prior to September 1, 2008, their contributions remain at 5% of their annual creditable compensation.

NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

NOTE H -- RETIREMENT PLANS (CONTINUED)

B. COUNTY EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

The Cooperative's contribution for FY 2015 was \$128,123 and FY 2014 was \$141,536. There are no funding improvement, or rehabilitation plans, surcharges or collective bargaining agreements. There have been no significant changes that affect the comparability of the 2015 and 2014 contributions.

Vesting in a retirement benefit begins immediately upon entry into the System. The participant has a fully vested interest after the completion of sixty months of service, twelve of which are current service. At a minimum, terminated employees are refunded their contributions with credited interest at 3% compounded annually through June 30, 1981, 6% thereafter through June 30, 1986 and 4% thereafter. All required contributions were paid at year end or within thirty (30) days thereafter. The percentage of the Cooperative's to total employers' contribution in the CERS for the year ended June 30, 2014 is 0.032660% and the Cooperative's portion of the net pension liability is \$1,060,000.

The amount shown below as "actuarial accrued liability" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems (PERS). The measure is independent of the actuarial funding method used to determine contributions to the system.

The CERS total actuarial liability (hazardous and nonhazardous) was \$13,061,349,000 as of June 30, 2014, which is the latest information available. The total Fiduciary Net Position of the plan as of June 30, 2014 is \$8,615,149,000, therefore, the plan was 65.96% funded as of June 30, 2014.

The Organization is providing less than 5% of the total contributions to the plan.

Form 5500 is not required for this plan.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort KY 40601-6124, or by telephone at (502) 564-4646.

NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015

NOTE I -- PRIOR PERIOD ADJUSTMENT

The Cooperative made a prior period adjustment of \$75,000 to Net Assets' beginning balance. This adjustment consists of the following:

Net Assets Beginning Balance Before Adjustment	<u>\$ 2,214,098</u>
<u>Restatement:</u>	
Overpayment of Debt	<u>(75,000)</u>
Net Restatement	<u>(75,000)</u>
Net Assets Restated Beginning Balance	<u><u>\$ 2,139,098</u></u>

SUPPLEMENTARY INFORMATION

NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.
SCHEDULE OF SUPPORT AND REVENUES AND EXPENSES BY PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Operations</u>	<u>Grants Consortium</u>	<u>WHAS Crusade for Children</u>
SUPPORT AND REVENUES			
VI RECEIPTS	\$ -	\$ -	\$ -
MILEAGE	-	-	-
MEMBERSHIPS	12,557	-	-
MEMBERSHIP DUES - NKS	1,000	-	-
SLOTS/TUITION	-	-	-
INTEREST	6,977	-	-
REGISTRATIONS	-	-	-
LOCAL GRANT RECEIPTS	14,059	-	-
REFUNDS AND REIMBURSEMENTS	97,747	-	1,800
KEDC REBATE (KPC)	46,140	-	-
INDIRECT COSTS RECEIPTS	270,524	87,621	-
MISCELLANEOUS REVENUES	32,010	-	-
SEEK FUNDS/ADA	-	-	-
STATE RECEIPTS	-	-	-
FEDERAL RECEIPTS	-	-	-
TOTAL SUPPORT AND REVENUES	<u>481,014</u>	<u>87,621</u>	<u>1,800</u>
EXPENSES			
CERTIFIED PERSONNEL	54,530	66,306	-
CLASSIFIED PERSONNEL	98,572	-	-
LIFE INSURANCE	-	-	-
DENTAL INSURANCE	181	-	-
SOCIAL SECURITY TAX	5,680	-	-
MEDICARE TAX	2,741	801	-
TEACHER RETIREMENT	8,290	1,492	-
COUNTY RETIREMENT	17,184	-	-
HEALTH INSURANCE	-	-	-
UNEMPLOYMENT	4,735	727	-
WORKERS COMPENSATION	12,223	-	-
SICK LEAVE PROGRAM	58,449	-	-
ADMINISTRATIVE COST - INSURANCE	-	-	-
EDUCATIONAL SERVICES	100	-	-
OTHER PROFESSIONAL SERVICES	12,498	-	-
AUDIT	11,034	-	-
PAYROLL SERVICES	3,324	-	-
CONTRACTED SERVICE	6,030	-	-
REGISTRATION FEE	655	-	-
TECHNICAL SERVICES	12,131	1,690	-
OCCUPATIONAL THERAPY/PHYSICAL THERAPY	-	-	-
MOWING	3,808	-	-
SANITATION SERVICE	1,859	-	-
REPAIR/MAINTENANCE	16,761	-	-

NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.
SCHEDULE OF SUPPORT AND REVENUES AND EXPENSES BY PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Operations</u>	<u>Grants Consortium</u>	<u>WHAS Crusade for Children</u>
EXPENSES (CONTINUED)			
POSTAGE MACHINE RENTAL	1,241	-	-
LIABILITY INSURANCE	-	-	-
BONDING INSURANCE	253	-	-
POSTAGE	1,140	-	-
TELEPHONE	1,045	619	-
ADVERTISING	399	-	-
PRINTING	1,862	173	-
TRAVEL	5,822	3,162	-
ENRICHMENT ACTIVITIES	-	-	-
FOOD	2,703	-	-
CLOTHING	-	-	-
SUPPLIES	6,123	1,673	-
JANITORIAL SUPPLIES	75	-	-
UTILITIES - GAS/ELECTRIC	15,207	-	-
BOOKS/PERIODICALS	129	-	-
SOFTWARE/SOFTWARE MAINTENANCE	2,028	166	-
DEPRECIATION	-	-	-
FURNITURE	-	-	-
COMPUTERS	-	452	-
OTHER INSTRUCTIONAL EQUIPMENT	90	3,531	-
DUES AND FEES	-	-	2,321
DISTRICT RECORD FEE	16,588	733	-
REFUNDS	-	-	-
INDIRECT COSTS	-	-	-
TOTAL EXPENSES	<u>385,490</u>	<u>81,525</u>	<u>2,321</u>
 EXCESS (DEFICIENCY OF SUPPORT AND REVENUES)	 <u>\$ 95,524</u>	 <u>\$ 6,096</u>	 <u>\$ (521)</u>

NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.
SCHEDULE OF SUPPORT AND REVENUES AND EXPENSES BY PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2015

	RSP	ESL Local	NKU Math Coordinator
SUPPORT AND REVENUES			
VI RECEIPTS	\$ -	\$ -	\$ -
MILEAGE	-	-	-
MEMBERSHIPS	60,000	-	-
MEMBERSHIP DUES - NKSR	-	-	-
SLOTS/TUITION	1,180,820	74,500	-
INTEREST	-	-	-
REGISTRATIONS	-	-	-
LOCAL GRANT RECEIPTS	-	-	50,211
REFUNDS AND REIMBURSEMENTS	2,769	-	-
KEDC REBATE (KPC)	-	-	-
INDIRECT COSTS RECEIPTS	-	-	4,016
MISCELLANEOUS REVENUES	15	-	-
SEEK FUNDS/ADA	213,110	-	-
STATE RECEIPTS	-	-	-
FEDERAL RECEIPTS	-	-	-
TOTAL SUPPORT AND REVENUES	1,456,714	74,500	54,227
EXPENSES			
CERTIFIED PERSONNEL	547,269	47,336	-
CLASSIFIED PERSONNEL	213,735	-	40,000
LIFE INSURANCE	277	-	-
DENTAL INSURANCE	-	-	-
SOCIAL SECURITY TAX	11,291	-	2,258
MEDICARE TAX	9,481	611	528
TEACHER RETIREMENT	12,310	875	-
COUNTY RETIREMENT	37,776	-	7,068
HEALTH INSURANCE	-	-	-
UNEMPLOYMENT	13,310	928	357
WORKERS COMPENSATION	-	-	-
SICK LEAVE PROGRAM	-	-	-
ADMINISTRATIVE COST - INSURANCE	-	-	-
EDUCATIONAL SERVICES	105,755	100	-
OTHER PROFESSIONAL SERVICES	41,279	-	-
AUDIT	-	-	-
PAYROLL SERVICES	2,612	-	-
CONTRACTED SERVICE	43,605	-	-
REGISTRATION FEE	3,707	-	-
TECHNICAL SERVICES	13,379	1,753	-
OCCUPATIONAL THERAPY/PHYSICAL THERAPY	-	-	-
MOWING	7,729	-	-
SANITATION SERVICE	3,765	-	-
REPAIR/MAINTENANCE	42,375	-	-

NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.
SCHEDULE OF SUPPORT AND REVENUES AND EXPENSES BY PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2015

	RSP	ESL Local	NKU Math Coordinator
EXPENSES (CONTINUED)			
POSTAGE MACHINE RENTAL	-	-	-
LIABILITY INSURANCE	461	-	-
BONDING INSURANCE	-	-	-
POSTAGE	165	-	-
TELEPHONE	1,374	483	-
ADVERTISING	-	-	-
PRINTING	3,868	356	-
TRAVEL	2,798	1,082	-
ENRICHMENT ACTIVITIES	-	-	-
FOOD	755	-	-
CLOTHING	-	-	-
SUPPLIES	12,770	216	-
JANITORIAL SUPPLIES	2,195	-	-
UTILITIES - GAS/ELECTRIC	30,875	-	-
BOOKS/PERIODICALS	108	446	-
SOFTWARE/SOFTWARE MAINTENANCE	7,588	1,117	-
DEPRECIATION	-	-	-
FURNITURE	1,787	-	-
COMPUTERS	-	-	-
OTHER INSTRUCTIONAL EQUIPMENT	-	-	-
DUES AND FEES	19	-	-
DISTRICT RECORD FEE	30,000	-	-
REFUNDS	4,375	-	-
INDIRECT COSTS	84,616	3,808	4,016
TOTAL EXPENSES	1,293,409	59,111	54,227
 EXCESS (DEFICIENCY OF SUPPORT AND REVENUES OVER EXPENSES	 \$ 163,305	 \$ 15,389	 \$ -

NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.
SCHEDULE OF SUPPORT AND REVENUES AND EXPENSES BY PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2015

	Strategic Data Project	Professional Development	Special Ed PD
SUPPORT AND REVENUES			
VI RECEIPTS	\$ -	\$ -	\$ -
MILEAGE	-	-	-
MEMBERSHIPS	-	500	-
MEMBERSHIP DUES - NKSR	-	-	-
SLOTS/TUITION	-	-	-
INTEREST	-	-	-
REGISTRATIONS	-	2,400	58,290
LOCAL GRANT RECEIPTS	-	-	-
REFUNDS AND REIMBURSEMENTS	-	727	2,530
KEDC REBATE (KPC)	-	-	-
INDIRECT COSTS RECEIPTS	-	-	-
MISCELLANEOUS REVENUES	-	-	-
SEEK FUNDS/ADA	-	-	-
STATE RECEIPTS	5,000	-	-
FEDERAL RECEIPTS	-	-	-
TOTAL SUPPORT AND REVENUES	5,000	3,627	60,820
EXPENSES			
CERTIFIED PERSONNEL	-	-	-
CLASSIFIED PERSONNEL	-	-	-
LIFE INSURANCE	-	-	-
DENTAL INSURANCE	-	-	-
SOCIAL SECURITY TAX	-	-	-
MEDICARE TAX	-	-	-
TEACHER RETIREMENT	-	-	-
COUNTY RETIREMENT	-	-	-
HEALTH INSURANCE	-	-	-
UNEMPLOYMENT	-	-	-
WORKERS COMPENSATION	-	-	-
SICK LEAVE PROGRAM	-	-	-
ADMINISTRATIVE COST - INSURANCE	-	-	-
EDUCATIONAL SERVICES	-	200	200
OTHER PROFESSIONAL SERVICES	-	5,920	31,111
AUDIT	-	-	-
PAYROLL SERVICES	-	-	-
CONTRACTED SERVICE	-	-	-
REGISTRATION FEE	-	-	-
TECHNICAL SERVICES	-	-	-
OCCUPATIONAL THERAPY/PHYSICAL THERAPY	-	-	-
MOWING	-	-	-
SANITATION SERVICE	-	-	-
REPAIR/MAINTENANCE	-	1,629	2,754

NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.
SCHEDULE OF SUPPORT AND REVENUES AND EXPENSES BY PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Strategic Data Project</u>	<u>Professional Development</u>	<u>Special Ed PD</u>
EXPENSES (CONTINUED)			
POSTAGE MACHINE RENTAL	-	-	-
LIABILITY INSURANCE	-	-	-
BONDING INSURANCE	-	-	-
POSTAGE	-	-	-
TELEPHONE	-	-	-
ADVERTISING	-	-	-
PRINTING	-	-	-
TRAVEL	12	-	-
ENRICHMENT ACTIVITIES	-	-	-
FOOD	-	-	2,045
CLOTHING	-	-	1,056
SUPPLIES	3,098	-	52
JANITORIAL SUPPLIES	-	-	-
UTILITIES - GAS/ELECTRIC	-	-	-
BOOKS/PERIODICALS	-	-	9,150
SOFTWARE/SOFTWARE MAINTENANCE	-	40	52
DEPRECIATION	-	-	-
FURNITURE	-	-	1,455
COMPUTERS	-	-	-
OTHER INSTRUCTIONAL EQUIPMENT	-	-	-
DUES AND FEES	-	-	-
DISTRICT RECORD FEE	-	-	-
REFUNDS	-	-	-
INDIRECT COSTS	249	(2,415)	3,830
TOTAL EXPENSES	<u>3,359</u>	<u>5,374</u>	<u>51,705</u>
 EXCESS (DEFICIENCY OF SUPPORT AND REVENUES OVER EXPENSES	 <u><u>\$ 1,641</u></u>	 <u><u>\$ (1,747)</u></u>	 <u><u>\$ (9,115)</u></u>

NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.
SCHEDULE OF SUPPORT AND REVENUES AND EXPENSES BY PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2015

	District Flow- Through (08)	VI Teacher	FRYSC State
SUPPORT AND REVENUES			
VI RECEIPTS	\$ -	\$ 78,740	\$ -
MILEAGE	-	2,996	-
MEMBERSHIPS	-	-	-
MEMBERSHIP DUES - NKS	-	-	-
SLOTS/TUITION	-	-	-
INTEREST	-	-	-
REGISTRATIONS	-	-	-
LOCAL GRANT RECEIPTS	-	-	-
REFUNDS AND REIMBURSEMENTS	75	-	-
KEDC REBATE (KPC)	-	-	-
INDIRECT COSTS RECEIPTS	-	6,539	-
MISCELLANEOUS REVENUES	-	-	-
SEEK FUNDS/ADA	-	-	-
STATE RECEIPTS	-	-	531,015
FEDERAL RECEIPTS	-	-	-
TOTAL SUPPORT AND REVENUES	75	88,275	531,015
EXPENSES			
CERTIFIED PERSONNEL	-	52,576	340,743
CLASSIFIED PERSONNEL	-	18,868	53,931
LIFE INSURANCE	-	-	-
DENTAL INSURANCE	-	-	-
SOCIAL SECURITY TAX	-	1,111	3,072
MEDICARE TAX	-	911	4,783
TEACHER RETIREMENT	(357)	1,183	7,713
COUNTY RETIREMENT	-	3,334	9,529
HEALTH INSURANCE	-	-	-
UNEMPLOYMENT	-	637	2,940
WORKERS COMPENSATION	-	-	-
SICK LEAVE PROGRAM	-	-	-
ADMINISTRATIVE COST - INSURANCE	-	-	-
EDUCATIONAL SERVICES	-	-	36,078
OTHER PROFESSIONAL SERVICES	-	-	-
AUDIT	-	-	-
PAYROLL SERVICES	-	-	-
CONTRACTED SERVICE	-	-	-
REGISTRATION FEE	-	-	-
TECHNICAL SERVICES	-	-	-
OCCUPATIONAL THERAPY/PHYSICAL THERAPY	2,004	-	-
MOWING	-	-	-
SANITATION SERVICE	-	-	-
REPAIR/MAINTENANCE	-	-	-

NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.
SCHEDULE OF SUPPORT AND REVENUES AND EXPENSES BY PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>District Flow- Through (08)</u>	<u>VI Teacher</u>	<u>FRYSC State</u>
EXPENSES (CONTINUED)			
POSTAGE MACHINE RENTAL	-	-	-
LIABILITY INSURANCE	-	-	-
BONDING INSURANCE	-	-	-
POSTAGE	-	-	-
TELEPHONE	-	-	-
ADVERTISING	-	-	-
PRINTING	-	-	-
TRAVEL	-	3,099	31,302
ENRICHMENT ACTIVITIES	-	-	-
FOOD	-	-	-
CLOTHING	-	-	-
SUPPLIES	-	48	1,563
JANITORIAL SUPPLIES	-	-	-
UTILITIES - GAS/ELECTRIC	-	-	-
BOOKS/PERIODICALS	-	-	-
SOFTWARE/SOFTWARE MAINTENANCE	-	-	-
DEPRECIATION	-	-	-
FURNITURE	-	-	-
COMPUTERS	-	-	-
OTHER INSTRUCTIONAL EQUIPMENT	-	-	-
DUES AND FEES	-	-	-
DISTRICT RECORD FEE	-	-	-
REFUNDS	-	-	-
INDIRECT COSTS	414	6,540	39,334
TOTAL EXPENSES	<u>2,061</u>	<u>88,307</u>	<u>530,988</u>
 EXCESS (DEFICIENCY OF SUPPORT AND REVENUES OVER EXPENSES	 <u>\$ (1,986)</u>	 <u>\$ (32)</u>	 <u>\$ 27</u>

NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.
SCHEDULE OF SUPPORT AND REVENUES AND EXPENSES BY PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2015

	Vocational Assessment	Leadership Networks	DAIL
SUPPORT AND REVENUES			
VI RECEIPTS	\$ -	\$ -	\$ -
MILEAGE	-	-	-
MEMBERSHIPS	-	-	-
MEMBERSHIP DUES - NKS	-	-	-
SLOTS/TUITION	-	-	-
INTEREST	-	-	-
REGISTRATIONS	-	-	-
LOCAL GRANT RECEIPTS	-	-	-
REFUNDS AND REIMBURSEMENTS	30	-	-
KEDC REBATE (KPC)	-	-	-
INDIRECT COSTS RECEIPTS	-	-	-
MISCELLANEOUS REVENUES	-	-	-
SEEK FUNDS/ADA	-	-	-
STATE RECEIPTS	14,315	110,098	307,088
FEDERAL RECEIPTS	-	-	-
TOTAL SUPPORT AND REVENUES	14,345	110,098	307,088
EXPENSES			
CERTIFIED PERSONNEL	-	30,285	-
CLASSIFIED PERSONNEL	-	22,839	233,977
LIFE INSURANCE	-	-	-
DENTAL INSURANCE	-	-	-
SOCIAL SECURITY TAX	-	1,423	13,346
MEDICARE TAX	-	710	3,122
TEACHER RETIREMENT	-	3,945	-
COUNTY RETIREMENT	-	4,269	39,535
HEALTH INSURANCE	-	673	-
UNEMPLOYMENT	-	288	2,390
WORKERS COMPENSATION	-	-	-
SICK LEAVE PROGRAM	-	-	-
ADMINISTRATIVE COST - INSURANCE	-	-	-
EDUCATIONAL SERVICES	8,800	13,601	60
OTHER PROFESSIONAL SERVICES	-	-	40
AUDIT	-	-	-
PAYROLL SERVICES	-	-	-
CONTRACTED SERVICE	-	-	-
REGISTRATION FEE	-	-	-
TECHNICAL SERVICES	-	-	-
OCCUPATIONAL THERAPY/PHYSICAL THERAPY	-	-	-
MOWING	-	-	-
SANITATION SERVICE	-	-	-
REPAIR/MAINTENANCE	-	-	-

NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.
SCHEDULE OF SUPPORT AND REVENUES AND EXPENSES BY PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Vocational Assessment</u>	<u>Leadership Networks</u>	<u>DAIL</u>
EXPENSES (CONTINUED)			
POSTAGE MACHINE RENTAL	-	-	-
LIABILITY INSURANCE	-	-	-
BONDING INSURANCE	-	-	-
POSTAGE	-	-	-
TELEPHONE	-	-	-
ADVERTISING	-	-	-
PRINTING	-	-	-
TRAVEL	-	3,520	-
ENRICHMENT ACTIVITIES	-	-	-
FOOD	-	-	-
CLOTHING	-	-	-
SUPPLIES	-	19,737	-
JANITORIAL SUPPLIES	-	-	-
UTILITIES - GAS/ELECTRIC	-	-	-
BOOKS/PERIODICALS	-	-	-
SOFTWARE/SOFTWARE MAINTENANCE	-	-	-
DEPRECIATION	-	-	-
FURNITURE	-	-	-
COMPUTERS	-	-	-
OTHER INSTRUCTIONAL EQUIPMENT	-	-	-
DUES AND FEES	-	-	-
DISTRICT RECORD FEE	-	-	-
REFUNDS	-	-	-
INDIRECT COSTS	704	8,808	14,623
TOTAL EXPENSES	<u>9,504</u>	<u>110,098</u>	<u>307,093</u>
 EXCESS (DEFICIENCY OF SUPPORT AND REVENUES OVER EXPENSES	 <u>\$ 4,841</u>	 <u>\$ -</u>	 <u>\$ (5)</u>

NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.
SCHEDULE OF SUPPORT AND REVENUES AND EXPENSES BY PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2015

	FRYSC - Fed	IDEA	Grant Elem 13-14 1.0
SUPPORT AND REVENUES			
VI RECEIPTS	\$ -	\$ -	\$ -
MILEAGE	-	-	-
MEMBERSHIPS	-	-	-
MEMBERSHIP DUES - NKS	-	-	-
SLOTS/TUITION	-	-	-
INTEREST	-	-	-
REGISTRATIONS	-	-	-
LOCAL GRANT RECEIPTS	-	-	-
REFUNDS AND REIMBURSEMENTS	200	-	-
KEDC REBATE (KPC)	-	-	-
INDIRECT COSTS RECEIPTS	-	-	-
MISCELLANEOUS REVENUES	-	-	-
SEEK FUNDS/ADA	-	-	-
STATE RECEIPTS	-	-	-
FEDERAL RECEIPTS	145,452	1,052,709	463,920
TOTAL SUPPORT AND REVENUES	145,652	1,052,709	463,920
EXPENSES			
CERTIFIED PERSONNEL	18,281	510,253	9,998
CLASSIFIED PERSONNEL	4,580	41,724	-
LIFE INSURANCE	9	155	2
DENTAL INSURANCE	-	-	-
SOCIAL SECURITY TAX	200	3,183	-
MEDICARE TAX	275	6,695	122
TEACHER RETIREMENT	3,119	76,150	1,668
COUNTY RETIREMENT	809	7,416	-
HEALTH INSURANCE	4,637	83,966	793
UNEMPLOYMENT	267	7,794	29
WORKERS COMPENSATION	-	-	-
SICK LEAVE PROGRAM	-	-	-
ADMINISTRATIVE COST - INSURANCE	49	844	8
EDUCATIONAL SERVICES	12,335	6,500	-
OTHER PROFESSIONAL SERVICES	-	19,805	-
AUDIT	-	1,500	-
PAYROLL SERVICES	-	-	-
CONTRACTED SERVICE	-	-	396,127
REGISTRATION FEE	-	11,435	-
TECHNICAL SERVICES	-	19,353	-
OCCUPATIONAL THERAPY/PHYSICAL THERAPY	-	-	-
MOWING	-	-	-
SANITATION SERVICE	-	-	-
REPAIR/MAINTENANCE	-	484	-

NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.
SCHEDULE OF SUPPORT AND REVENUES AND EXPENSES BY PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>FRYSC - Fed</u>	<u>IDEA</u>	<u>Grant Elem 13-14 1.0</u>
EXPENSES (CONTINUED)			
POSTAGE MACHINE RENTAL	-	-	-
LIABILITY INSURANCE	-	-	-
BONDING INSURANCE	-	-	-
POSTAGE	-	134	-
TELEPHONE	-	4,800	-
ADVERTISING	-	-	-
PRINTING	-	13,691	-
TRAVEL	90,513	34,923	3,739
ENRICHMENT ACTIVITIES	-	-	-
FOOD	-	7,301	-
CLOTHING	-	-	-
SUPPLIES	281	39,122	17,893
JANITORIAL SUPPLIES	-	-	-
UTILITIES - GAS/ELECTRIC	-	-	-
BOOKS/PERIODICALS	-	35,440	-
SOFTWARE/SOFTWARE MAINTENANCE	-	1,851	-
DEPRECIATION	-	-	-
FURNITURE	-	8,447	-
COMPUTERS	-	19,179	-
OTHER INSTRUCTIONAL EQUIPMENT	-	-	-
DUES AND FEES	-	6,452	-
DISTRICT RECORD FEE	-	-	-
REFUNDS	-	-	-
INDIRECT COSTS	10,803	84,728	33,606
TOTAL EXPENSES	<u>146,158</u>	<u>1,053,325</u>	<u>463,985</u>
 EXCESS (DEFICIENCY OF SUPPORT AND REVENUES OVER EXPENSES	 <u>\$ (506)</u>	 <u>\$ (616)</u>	 <u>\$ (65)</u>

NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.
SCHEDULE OF SUPPORT AND REVENUES AND EXPENSES BY PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>AWARE</u>	<u>ESSC Grant Elem Erlanger</u>	<u>3514 - PGES</u>
SUPPORT AND REVENUES			
VI RECEIPTS	\$ -	\$ -	\$ -
MILEAGE	-	-	-
MEMBERSHIPS	-	-	-
MEMBERSHIP DUES - NKS	-	-	-
SLOTS/TUITION	-	-	-
INTEREST	-	-	-
REGISTRATIONS	-	-	-
LOCAL GRANT RECEIPTS	-	-	-
REFUNDS AND REIMBURSEMENTS	-	-	-
KEDC REBATE (KPC)	-	-	-
INDIRECT COSTS RECEIPTS	-	-	-
MISCELLANEOUS REVENUES	-	-	-
SEEK FUNDS/ADA	-	-	-
STATE RECEIPTS	-	-	115,418
FEDERAL RECEIPTS	26,872	-	-
TOTAL SUPPORT AND REVENUES	<u>26,872</u>	<u>-</u>	<u>115,418</u>
EXPENSES			
CERTIFIED PERSONNEL	11,383	13,441	71,200
CLASSIFIED PERSONNEL	-	-	-
LIFE INSURANCE	-	-	16
DENTAL INSURANCE	-	-	-
SOCIAL SECURITY TAX	-	-	-
MEDICARE TAX	165	164	865
TEACHER RETIREMENT	-	384	7,602
COUNTY RETIREMENT	-	-	-
HEALTH INSURANCE	-	-	7,688
UNEMPLOYMENT	290	71	330
WORKERS COMPENSATION	-	-	-
SICK LEAVE PROGRAM	-	-	-
ADMINISTRATIVE COST - INSURANCE	-	-	86
EDUCATIONAL SERVICES	-	-	-
OTHER PROFESSIONAL SERVICES	3,600	-	-
AUDIT	-	-	-
PAYROLL SERVICES	-	-	-
CONTRACTED SERVICE	16,103	-	-
REGISTRATION FEE	-	-	-
TECHNICAL SERVICES	-	-	-
OCCUPATIONAL THERAPY/PHYSICAL THERAPY	-	-	-
MOWING	-	-	-
SANITATION SERVICE	-	-	-
REPAIR/MAINTENANCE	-	-	-

NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.
SCHEDULE OF SUPPORT AND REVENUES AND EXPENSES BY PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>AWARE</u>	<u>ESSC Grant Elem Erlanger</u>	<u>3514 - PGES</u>
EXPENSES (CONTINUED)			
POSTAGE MACHINE RENTAL	-	-	-
LIABILITY INSURANCE	-	-	-
BONDING INSURANCE	-	-	-
POSTAGE	-	-	-
TELEPHONE	-	-	-
ADVERTISING	-	-	-
PRINTING	-	-	-
TRAVEL	389	-	8,607
ENRICHMENT ACTIVITIES	-	-	-
FOOD	-	-	-
CLOTHING	-	-	-
SUPPLIES	51	-	-
JANITORIAL SUPPLIES	-	-	-
UTILITIES - GAS/ELECTRIC	-	-	-
BOOKS/PERIODICALS	-	-	-
SOFTWARE/SOFTWARE MAINTENANCE	-	-	-
DEPRECIATION	-	-	-
FURNITURE	-	-	-
COMPUTERS	-	-	-
OTHER INSTRUCTIONAL EQUIPMENT	-	-	-
DUES AND FEES	-	-	-
DISTRICT RECORD FEE	-	-	-
REFUNDS	-	-	-
INDIRECT COSTS	1,991	-	7,925
TOTAL EXPENSES	<u>33,972</u>	<u>14,060</u>	<u>104,319</u>
 EXCESS (DEFICIENCY OF SUPPORT AND REVENUES OVER EXPENSES	 <u>\$ (7,100)</u>	 <u>\$ (14,060)</u>	 <u>\$(11,099)</u>

NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.
SCHEDULE OF SUPPORT AND REVENUES AND EXPENSES BY PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2015

	ESL Fed	PEP Grant	ESSC Grant Sec 1.0 12-13
SUPPORT AND REVENUES			
VI RECEIPTS	\$ -	\$ -	\$ -
MILEAGE	-	-	-
MEMBERSHIPS	-	-	-
MEMBERSHIP DUES - NKSR	-	-	-
SLOTS/TUITION	-	-	-
INTEREST	-	-	-
REGISTRATIONS	-	-	-
LOCAL GRANT RECEIPTS	-	-	-
REFUNDS AND REIMBURSEMENTS	-	-	-
KEDC REBATE (KPC)	-	-	-
INDIRECT COSTS RECEIPTS	-	-	-
MISCELLANEOUS REVENUES	-	-	-
SEEK FUNDS/ADA	-	-	-
STATE RECEIPTS	-	-	-
FEDERAL RECEIPTS	38,056	72,085	432,003
TOTAL SUPPORT AND REVENUES	38,056	72,085	432,003
EXPENSES			
CERTIFIED PERSONNEL	14,824	43,384	9,998
CLASSIFIED PERSONNEL	-	6,801	-
LIFE INSURANCE	(23)	25	2
DENTAL INSURANCE	-	-	-
SOCIAL SECURITY TAX	-	390	-
MEDICARE TAX	199	617	122
TEACHER RETIREMENT	2,395	6,288	1,668
COUNTY RETIREMENT	-	1,203	-
HEALTH INSURANCE	956	9,326	792
UNEMPLOYMENT	64	595	28
WORKERS COMPENSATION	-	-	-
SICK LEA VE PROGRAM	-	-	-
ADMINISTRATIVE COST - INSURANCE	39	137	9
EDUCATIONAL SERVICES	-	-	-
OTHER PROFESSIONAL SERVICES	-	25,869	-
AUDIT	-	-	-
PAYROLL SERVICES	-	-	-
CONTRACTED SERVICE	-	-	350,255
REGISTRATION FEE	389	-	-
TECHNICAL SERVICES	-	1,481	-
OCCUPATIONAL THERAPY/PHYSICAL THERAPY	-	-	-
MOWING	-	-	-
SANITATION SERVICE	-	-	-
REPAIR/MAINTENANCE	-	-	-

NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.
SCHEDULE OF SUPPORT AND REVENUES AND EXPENSES BY PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>ESL Fed</u>	<u>PEP Grant</u>	<u>ESSC Grant Sec 1.0 12-13</u>
EXPENSES (CONTINUED)			
POSTAGE MACHINE RENTAL	-	-	-
LIABILITY INSURANCE	-	-	-
BONDING INSURANCE	-	-	-
POSTAGE	-	-	-
TELEPHONE	-	-	-
ADVERTISING	-	-	-
PRINTING	-	17	-
TRAVEL	262	6,183	2,721
ENRICHMENT ACTIVITIES	-	11,529	-
FOOD	-	-	-
CLOTHING	-	-	-
SUPPLIES	9	15,269	16,326
JANITORIAL SUPPLIES	-	-	-
UTILITIES - GAS/ELECTRIC	-	-	-
BOOKS/PERIODICALS	599	-	-
SOFTWARE/SOFTWARE MAINTENANCE	6,298	-	-
DEPRECIATION	-	-	-
FURNITURE	-	-	-
COMPUTERS	-	-	-
OTHER INSTRUCTIONAL EQUIPMENT	-	-	-
DUES AND FEES	-	-	-
DISTRICT RECORD FEE	-	-	-
REFUNDS	-	-	-
INDIRECT COSTS	551	17,262	36,752
TOTAL EXPENSES	<u>26,562</u>	<u>146,376</u>	<u>418,673</u>
 EXCESS (DEFICIENCY OF SUPPORT AND REVENUES OVER EXPENSES	 <u><u>\$ 11,494</u></u>	 <u><u>\$ (74,291)</u></u>	 <u><u>\$ 13,330</u></u>

NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.
SCHEDULE OF SUPPORT AND REVENUES AND EXPENSES BY PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Unclassified</u>	<u>TOTAL</u>
SUPPORT AND REVENUES		
VI RECEIPTS	\$ -	\$ 78,740.00
MILEAGE	-	2,996
MEMBERSHIPS	-	73,057
MEMBERSHIP DUES - NKS	-	1,000
SLOTS/TUITION	-	1,255,320
INTEREST	-	6,977
REGISTRATIONS	-	60,690
LOCAL GRANT RECEIPTS	-	64,270
REFUNDS AND REIMBURSEMENTS	-	105,878
KEDC REBATE (KPC)	-	46,140
INDIRECT COSTS RECEIPTS	-	368,700
MISCELLANEOUS REVENUES	-	32,025
SEEK FUNDS/ADA	-	213,110
STATE RECEIPTS	-	1,082,934
FEDERAL RECEIPTS	-	2,231,097
TOTAL SUPPORT AND REVENUES	<u>-</u>	<u>5,622,934</u>
EXPENSES		
CERTIFIED PERSONNEL	-	1,841,807
CLASSIFIED PERSONNEL	-	735,027
LIFE INSURANCE	-	463
DENTAL INSURANCE	-	181
SOCIAL SECURITY TAX	-	41,954
MEDICARE TAX	-	32,912
TEACHER RETIREMENT	-	134,725
COUNTY RETIREMENT	-	128,123
HEALTH INSURANCE	-	108,831
UNEMPLOYMENT	-	35,780
WORKERS COMPENSATION	-	12,223
SICK LEAVE PROGRAM	-	58,449
ADMINISTRATIVE COST - INSURANCE	-	1,172
EDUCATIONAL SERVICES	-	183,729
OTHER PROFESSIONAL SERVICES	-	140,122
AUDIT	-	12,534
PAYROLL SERVICES	-	5,936
CONTRACTED SERVICE	-	812,120
REGISTRATION FEE	-	16,186
TECHNICAL SERVICES	-	49,787
OCCUPATIONAL THERAPY/PHYSICAL THERAPY	-	2,004
MOWING	-	11,537
SANITATION SERVICE	-	5,624
REPAIR/MAINTENANCE	-	64,003

NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.
SCHEDULE OF SUPPORT AND REVENUES AND EXPENSES BY PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Unclassified</u>	<u>TOTAL</u>
EXPENSES (CONTINUED)		
POSTAGE MACHINE RENTAL	-	1,241
LIABILITY INSURANCE	-	461
BONDING INSURANCE	-	253
POSTAGE	-	1,439
TELEPHONE	-	8,321
ADVERTISING	-	399
PRINTING	-	19,967
TRAVEL	-	198,134
ENRICHMENT ACTIVITIES	-	11,529
FOOD	-	12,804
CLOTHING	-	1,056
SUPPLIES	-	134,231
JANITORIAL SUPPLIES	-	2,270
UTILITIES - GAS/ELECTRIC	-	46,082
BOOKS/PERIODICALS	-	45,872
SOFTWARE/SOFTWARE MAINTENANCE	-	19,140
DEPRECIATION	65,328	65,328
FURNITURE	-	12,141
COMPUTERS	-	22,800
OTHER INSTRUCTIONAL EQUIPMENT	-	2,321
DUES AND FEES	-	23,792
DISTRICT RECORD FEE	-	30,000
REFUNDS	-	11,327
INDIRECT COSTS	-	358,145
TOTAL EXPENSES	<u>65,328</u>	<u>5,464,282</u>
 EXCESS (DEFICIENCY OF SUPPORT AND REVENUES OVER EXPENSES	 <u><u>\$ (65,328)</u></u>	 <u><u>\$ 158,652</u></u>

NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Federal Agency/Pass-Through Entity	Federal CFDA Number		Federal Expenditures	
US Department of Education				
Direct Programs				
Fund for the Improvement of Education	84.215	S215E130420	*	\$ 442,690
Fund for the Improvement of Education	84.215	S215E120422	*	421,287
Total Direct Funds from US Department of Education				<u>\$ 863,977</u>
US Department of Education				
Pass-Through Kentucky Department of Education				
IDEA Part B-Special Education Grants to States	84.027	3810004	*	767,955
English Language Acquisition State Grants	84.365	S365A140017		61,751
Total for Pass-Through Grantor				<u>\$ 829,706</u>
US Department of Health and Human Services				
Pass-Through Kentucky Cabinet for Health and Family Services				
Community-Based Child Abuse Prevention Grants	93.590	PON2 730 1400002118 3		<u>\$ 145,322</u>
Total Pass-Through Grantor				<u>\$ 145,322</u>
Total from Pass-Through from Above Entities				<u>\$ 975,028</u>
Total Expenditures of Federal Awards				\$ 1,839,005

* - Denotes major program.

See Note to Schedule of Expenditures of Federal Awards.

NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.
NOTE 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 is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the financial statements.

TICHENOR & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS and MANAGEMENT CONSULTANTS

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**Independent Auditor's Report on Internal Control over Financial
Reporting and on Compliance and Other Matters Based on
an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

To the People of Kentucky

Honorable Matthew G. Bevin, Governor

William M. Landrum III, Secretary, Finance and Administration Cabinet

Stephen L. Pruitt, Commissioner, Department of Education

David Byerman, Director, Legislative Research Commission

Board of Directors, Northern Kentucky Cooperative for Educational Services, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Northern Kentucky Cooperative for Educational Services, Inc. (a non-profit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 13, 2015.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2015-01 and 2015-02 to be significant deficiencies.

To the People of Kentucky
Honorable Matthew G. Bevin, Governor
William M. Landrum III, Secretary, Finance and Administration Cabinet
Stephen L. Pruitt, Commissioner, Department of Education
David Byerman, Director, Legislative Research Commission
Board of Directors, Northern Kentucky Cooperative for Educational Services, Inc.

Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards
(Continued)

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 limitation, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Cooperative's Response to Findings

Cooperative's response to findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Cooperative's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Tichenor & Associates, LLP

Tichenor & Associates, LLP
Louisville, Kentucky

November 13, 2015

TICHENOR & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS and MANAGEMENT CONSULTANTS

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**Independent Auditor's Report on Compliance for Each Major Program
and on Internal Control over Compliance Required by OMB Circular A-133**

To the People of Kentucky

Honorable Matthew G. Bevin, Governor

William M. Landrum III, Secretary, Finance and Administration Cabinet

Stephen L. Pruitt, Commissioner, Department of Education

David Byerman, Director, Legislative Research Commission

Board of Directors, Northern Kentucky Cooperative for Educational Services, Inc.

Report on Compliance for Each Major Federal Program

We have audited Northern Kentucky Cooperative for Educational Services, Inc.'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 Northern Kentucky Cooperative for Educational Services, Inc.'s major federal programs for the year ended June 30, 2015. Northern Kentucky Cooperative for Educational Services, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management Responsibility

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

Auditor's Responsibility

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

To the People of Kentucky
Honorable Matthew G. Bevin, Governor
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Stephen L. Pruitt, Commissioner, Department of Education
David Byerman, Director, Legislative Research Commission
Board of Directors, Northern Kentucky Cooperative for Educational Services, Inc.

Independent Auditor's Report on Compliance for Each Major
Program and on Internal Control over Compliance Required by
OMB Circular A-133
(Continued)

We believe that our audit provides a reasonable basis for our opinion on compliance for each federal program. However, our audit does not provide a legal determination of Northern Kentucky Cooperative for Educational Services, Inc.'s compliance.

Opinion on Each Major Program

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

Report on Internal Control over Compliance

Management of Northern Kentucky Cooperative for Educational Services, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In our planning and performing our audit of compliance, we considered Northern Kentucky Cooperative for Educational Services, Inc.'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 Northern Kentucky Cooperative for Educational Services, Inc.'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 a 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, Independent Auditor's Report on Compliance for Each Major
Program and on Internal Control over Compliance Required by

To the People of Kentucky
Honorable Matthew G. Bevin, Governor
William M. Landrum III, Secretary, Finance and Administration Cabinet
Stephen L. Pruitt, Commissioner, Department of Education
David Byerman, Director, Legislative Research Commission
Board of Directors, Northern Kentucky Cooperative for Educational Services, Inc.

OMB Circular A-133
(Continued)

material weaknesses and 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.

Tichenor & Associates, LLP

Tichenor & Associates, LLP
Louisville, Kentucky
November 13, 2015

NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness identified? _____ yes x no

Significant deficiencies identified that are not
considered to be material weaknesses? _____ x yes _____

Noncompliance material to financial
statements noted? _____ yes x no

Federal Awards

Internal control over major programs:

Material weakness identified? _____ yes x no

Significant deficiencies identified that are not
considered to be material weaknesses? _____ yes x none reported

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

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

Programs tested as major programs:

CFDA Numbers	Name of Federal Program
84.215	Fund for the Improvement of Education
84.027	IDEA Part B - Special Education Grant to States

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

Auditee qualified as low-risk auditee? _____ x yes _____ no

NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2015

Section II – Financial Statement Audit Findings

2015-01 NKCES should book depreciation expense in its accounting records and financial statements

Condition

During our audit, we noted that NKCES calculated depreciation expense for the current year, but did not record a correct journal entry in the accounting records. This resulted in an adjustment of \$76,299 to depreciation expense and accumulated depreciation in the current year financial statements.

Criteria

Generally Accepted Accounting Principle's Matching Principle requires that the Cooperative's capital assets be allocated to depreciation expense over the life of the assets and recorded in the accounting records each year.

Effect

Failure of recording depreciation expense will result in an over statement of net capital assets of \$76,299.

Recommendation

We recommend that the Cooperative put internal controls in place to ensure that the calculated depreciation expense will be booked in the Cooperative's general ledger and financial statements each year.

Management Response

The Cooperative stated in writing that depreciation expense and accumulated depreciation journal entries will be reviewed by Accounts Payable and Bookkeeper to ensure proper entries.

Auditor's Response

The Cooperative agreed to our finding.

2015-02 NKCES should follow-up and resolve bank reconciliation differences

Condition

During our review of NKCES bank reconciliation statements we determined that the bank accounts do not tie to both the general ledger and the trial balance. The balances per the bank reconciliation statements were lower than the general ledger balances.

NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2015

Criteria

Properly designed internal controls will allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

Effect

Unresolved differences in the bank reconciliation could result in the misstatement of cash/bank balances.

Recommendation

We recommend that NKCES put internal controls in place to ensure that any reconciling differences between the bank reconciliation and the general ledger be investigated and resolved on a monthly basis.

Management Response

The Cooperative stated in writing that all beginning balances will be reviewed with prior year ending balances and any discrepancies will be addressed between accounting records and bank statements.

Auditor's Response

The Cooperative agreed to our finding.

Section III – Major Awards Program Audit Findings

No findings were reported.

NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2015

Prior Year Findings and Questioned Costs

Section II – Financial Statement Audit Findings

2014-01 NKCES should perform opening balance reconciliation between the signed financial statements and the general ledger

During our reconciliation of prior year financial statements to NKCES opening balances, we noted a difference of \$603,911 in accounts receivable. Our review shows that this difference arose as a result of invoices that were reclassified from FY 2013 to FY 2014.

We recommend that NKCES perform a reconciliation of the financial statements balances to its opening balances and resolve any differences.

Management Response: All beginning balances will be reviewed and compared with prior year ending balances on an annual basis.

Current Year Status

During the fiscal year ended June 30, 2015 the Cooperative had corrected this prior year finding and this finding was not repeated in the current year.

2014-02 NKCES should book depreciation expense in its accounting records and financial statements

During our audit, we noted that NKCES calculated depreciation expense for the current year of \$65,135, but did not record a journal entry in the accounting records.

We recommend that the Cooperative put internal controls in place to ensure that the calculated depreciation expense will be booked in the Cooperative's general ledger and financial statements.

Management Response: As noted in the statement above, NKEC calculated depreciation expense for the fiscal year ending June 30, 2014. However, the depreciation was not recorded in the accounting records and will be entered via a journal entry. In the future, the step in the process of calculating depreciation will be entered and reviewed into the accounting records.

Current Year Status

During the fiscal year ended June 30, 2015 the Cooperative had not corrected this issue for the current year, see finding 2015-01.

NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2015

Prior Year Findings and Questioned Costs (Continued)

2014-03 NKCES should review its depreciation schedule for accuracy and completeness

During our review of NKCES depreciation schedule, we noted several instances where depreciation computation for certain assets were computed incorrectly and the depreciation schedule did not tie to the general ledger. Some examples are; we identified assets that were listed on the prior year depreciation schedule which were not listed on the current year schedule although there were no asset retirements during the current year. Additions to building per the depreciation schedule stated \$22,577; however, the general ledger states \$25,939.

We recommend that NKCES put internal controls in place to ensure that the depreciation schedule is complete and accurate.

Management Response: All of the fixed assets inventory will be reviewed and checked annually. In addition, a review of the accuracy of the depreciated assets will occur on an annual basis for accuracy and completeness.

Current Year Status

During the fiscal year ended June 30, 2015 the Cooperative had corrected this prior year finding and this finding was not repeated in the current year.

2014-04 NKCES should follow-up and resolve bank reconciliation differences

During our review of NKCES bank reconciliations we noted that the general bank account reconciliation did not tie to the general ledger. There was an unreconciled difference of \$11,885. The balance per the bank reconciliation was higher than the general ledger balance by this amount.

We recommend that NKCES put internal controls in place ensure that any reconciling differences between the bank reconciliation and the general ledger be investigate and resolved.

Management Response: All bank reconciliation statements will be compared to both the general ledger and trail balance to ensure accuracy between the accounting records and bank statements.

Current Year Status

During the fiscal year ended June 30, 2015 the Cooperative had not corrected this issue for the current year, see finding 2015-02.

NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2015

Section III – Major Awards Program Audit Findings

No prior year findings were reported.