

BOYD COUNTY SCHOOL DISTRICT

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012**

TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS



**Kelley,
Galloway &
Company, PSC**

CERTIFIED PUBLIC ACCOUNTANTS

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for
School District Audits
Members of the Board of Education
Boyd County School District
Ashland, Kentucky

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 Boyd County School District (the "District"), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of the management of the Boyd County School District. Our responsibility is to express opinions on these basic 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; OMB Circular A-133, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Independent Auditor's Contract - General Audit Requirements and Appendix II to the Independent Auditor's Contract - State Audit Requirements, and Appendix III to the Independent Auditor's Contract - Electronic Submission*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Boyd County School District as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund and the Special Revenue Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2012, on our consideration of Boyd County School District's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 7 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Boyd County School District's financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Additionally, the schedule of expenditures of federal awards contained on pages 46 and 47 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of Boyd County School District. 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 supplemental information is fairly stated in all material respects in relation to the financial statements as a whole.

Kelley, Galloway & Company, PSC

October 15, 2012

**BOYD COUNTY SCHOOL DISTRICT - ASHLAND, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2012**

As management of the Boyd County School District (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, 2012. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the financial statements.

FINANCIAL HIGHLIGHTS

- Construction of our new high school building is on schedule for completion in the fall of 2012. When this facility opens to our students in January 2013, it will enable our high school faculty to provide our students with outstanding educational opportunities. We have secured agreements with local colleges and universities that will allow our students to earn college credit hours while taking some high school classes. These dual credit classes will increase the educational value of our school district to parents and community members.
- The board issued \$175,989 in new debt during the 2012 fiscal year to purchase new school buses. The net effect on the District's total debt was a decrease of \$1,251,535 in outstanding balances during the current fiscal year.
- The District renovates and constructs facilities consistent with a long-range facilities plan that is established with community input and is in compliance with Kentucky Department of Education (KDE) regulations. A new facilities plan will be completed during the fall of 2012. Funds used to service debt payments come from categorical state and local funds that can only be used for facilities construction and renovation payments.
- State funding for local school districts continues to be a concern. State revenues seem to be making a slow come back to their pre-2009 levels. The state's biennium budget, passed in January 2012, for the 2013 and 2014 fiscal years takes per pupil funding back to 2008 spending levels. All Kentucky school districts that are heavily dependent on state funding will feel the pinch over the next two years.
- The General Fund had approximately \$25.5 million in revenue, which primarily consisted of the state program for school funding (SEEK) and local property, utility, and motor vehicle taxes. Excluding inter-fund transfers, there were approximately \$27.0 million in General Fund expenditures. The Board has taken steps to reduce expenditures in fiscal 2013.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 4) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus,

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

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (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. Taxes and intergovernmental revenues also support fixed assets and related debt. The government-wide financial statements can be found on pages 8 and 9 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, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our vending and food service operations. All other activities of the District are included in the governmental funds. The basic governmental fund financial statements can be found on pages 10 - 20 of this report.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 - 33 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$19.8 million as of June 30, 2012. The largest portion of the District's net assets 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.

Government-wide Basis	<u>June 30, 2012</u>	<u>June 30, 2011</u> (As restated)
Current Assets	\$ 11,112,843	\$ 29,690,173
Noncurrent Assets	48,562,431	32,433,800
Total Assets	<u>\$ 59,675,274</u>	<u>\$ 62,123,973</u>
Current Liabilities	\$ 3,627,981	\$ 3,810,577
Noncurrent Liabilities	36,277,443	37,927,424
Total Liabilities	<u>39,905,424</u>	<u>41,738,001</u>
Investment in capital assets (net of debt)	10,938,339	(6,449,411)
Restricted	8,831,283	25,507,515
Unrestricted	228	1,327,868
Total Net Assets	<u>\$ 19,769,850</u>	<u>\$ 20,385,972</u>

The following table presents a summary of revenue and expense on a government-wide basis for the

fiscal years ended June 30, 2012 and 2011, respectively.

	2012 <u>Amount</u>	2011 <u>Amount</u>
Revenues:		(As restated)
Local revenue sources	\$ 9,909,216	\$ 10,046,854
State revenue sources	19,760,511	20,103,211
Direct Federal sources	1,633,041	1,550,838
Federal subsidy	632,397	-
Indirect Federal sources	3,443,496	4,238,235
Interest income	256,633	357,067
Other sources	555,341	501,269
Total revenues	<u>36,190,635</u>	<u>36,797,474</u>
Expenses:		
Instruction	21,143,453	22,753,335
Student Support Services	1,892,080	1,493,129
Instructional Support	1,430,498	1,227,149
District Administration	604,157	635,999
School Administration	1,521,501	1,185,342
Business Support	598,624	428,619
Plant Operations	3,609,799	3,362,056
Student Transportation	1,788,516	1,940,235
Community Services	274,922	282,375
Food service operations	1,646,349	1,707,246
Debt service	2,296,858	471,196
Total expenses	<u>36,806,757</u>	<u>35,486,681</u>
Revenue over (under) expenses	<u>\$ (616,122)</u>	<u>\$ 1,310,793</u>

FUND BASIS

- The District’s total revenues for the governmental funds for the fiscal year ended June 30, 2012 and 2011, net of inter-fund transfers and bond proceeds, was approximately \$34.4 million and \$34.4 million, respectively.
- The total cost of all programs and services for the governmental funds was approximately \$32.2 million and \$32.2 million, net of debt service and facilities acquisition and construction, for the fiscal years ended June 30, 2012 and 2011, respectively.

Comments on Budget Comparisons

- General Fund revenue compared to budget varied from line item to line item more this year than in the past due in part to local property tax collection rates being down due to the economy. In addition, utility tax collections were down due to the mild winter we experienced which caused a reduced need for electric and natural gas.

FUTURE BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1-June 30; other programs, i.e. some federal programs operate on a different fiscal calendar, but are reflected in the District’s overall budget. By state law the budget must have a minimum 2% contingency. The District adopted a budget for 2013 with \$524,945 in contingency (2.3%). The Governmental Funds beginning unrestricted cash balance for beginning the fiscal year is \$183,686. The Board significantly reduced the transportation and maintenance budgets in 2013 to bring expenses in line with anticipated revenues. Questions regarding this report should be directed to Superintendent Howard K. Osborne (606) 928-4141 or to Director of Finance Don Fleu (606) 928-4141 or by mail at 1104 Bob McCullough Drive, Ashland, Kentucky 41102.

BOYD COUNTY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 9,623,835	\$ 279,306	\$ 9,903,141
Receivables (net of allowances for uncollectibles):			
Taxes	550,621	-	550,621
Other	37,599	-	37,599
Intergovernmental - state	470,436	-	470,436
Intergovernmental - federal	19,121	13,621	32,742
Inventories	-	118,304	118,304
Bond issue costs, net of amortization	140,323	-	140,323
Capital assets, not being depreciated	30,426,610	-	30,426,610
Capital assets, being depreciated, net	17,912,353	83,145	17,995,498
Total assets	<u>59,180,898</u>	<u>494,376</u>	<u>59,675,274</u>
Liabilities			
Accounts payable	1,722,147	4,748	1,726,895
Deferred revenue	159,178	-	159,178
Portion due or payable within one year:			
Debt obligations	1,671,908	-	1,671,908
Accrued sick leave	70,000	-	70,000
Noncurrent liabilities:			
Portion due or payable after one year:			
Debt obligations	35,811,861	-	35,811,861
Accrued sick leave	465,582	-	465,582
Total liabilities	<u>39,900,676</u>	<u>4,748</u>	<u>39,905,424</u>
Net Assets			
Invested in capital assets, net of related debt	10,855,194	83,145	10,938,339
Restricted for:			
Capital projects	8,424,800	-	8,424,800
Other purposes	-	406,483	406,483
Unrestricted	228	-	228
Total net assets	<u>\$ 19,280,222</u>	<u>\$ 489,628</u>	<u>\$ 19,769,850</u>

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

**BOYD COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
Instruction	\$ 21,143,453	\$ 58,819	\$ 3,689,839	\$ -	\$ (17,394,795)	\$ -	\$ (17,394,795)
Support services:							
Students	1,892,080	-	395,048	-	(1,497,032)	-	(1,497,032)
Instructional staff	1,430,498	-	479,424	-	(951,074)	-	(951,074)
District administration	604,157	-	-	-	(604,157)	-	(604,157)
School administration	1,521,501	-	92,494	-	(1,429,007)	-	(1,429,007)
Business and other support services	598,624	-	53,040	-	(545,584)	-	(545,584)
Operation and maintenance of plant	3,609,799	-	91,635	-	(3,518,164)	-	(3,518,164)
Student transportation	1,788,516	-	72,125	-	(1,716,391)	-	(1,716,391)
Community services	274,922	-	253,402	-	(21,520)	-	(21,520)
Debt service	2,296,858	-	-	1,205,550	(1,091,308)	-	(1,091,308)
Total governmental activities	35,160,408	58,819	5,127,007	1,205,550	(28,769,032)	-	(28,769,032)
Business-type activities:							
Food service	1,646,349	530,435	1,204,088	-	-	88,174	88,174
Total business-type activities	1,646,349	530,435	1,204,088	-	-	88,174	88,174
Total primary government	\$ 36,806,757	\$ 589,254	\$ 6,331,095	\$ 1,205,550	\$ (28,769,032)	\$ 88,174	\$ (28,680,858)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					\$ 6,023,714	\$ -	\$ 6,023,714
Motor vehicle					1,023,229	-	1,023,229
Utilities					2,273,019	-	2,273,019
Intergovernmental revenues:							
State					17,992,707	-	17,992,707
Investment earnings					256,195	438	256,633
Gain on sale of assets					25,664	-	25,664
Other local revenues					469,770	-	469,770
Total general revenues and transfers					28,064,298	438	28,064,736
Change in net assets					(704,734)	88,612	(616,122)
Net assets, June 30, 2011, as restated					19,984,956	401,016	20,385,972
Net assets, June 30, 2012					\$ 19,280,222	\$ 489,628	\$ 19,769,850

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

BOYD COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 1,983	\$ -	\$ 8,501,181	\$ 1,120,671	\$ 9,623,835
Receivables (net of allowances for uncollectibles):					
Property taxes	550,621	-	-	-	550,621
Other	33,709	-	3,890	-	37,599
Intergovernmental - state	26,650	443,786	-	-	470,436
Intergovernmental - federal	19,121	-	-	-	19,121
Total assets	<u>\$ 632,084</u>	<u>\$ 443,786</u>	<u>\$ 8,505,071</u>	<u>\$ 1,120,671</u>	<u>\$ 10,701,612</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 236,597	\$ 284,608	\$ 1,173,529	\$ 27,413	\$ 1,722,147
Deferred revenue	-	159,178	-	-	159,178
Total liabilities	<u>236,597</u>	<u>443,786</u>	<u>1,173,529</u>	<u>27,413</u>	<u>1,881,325</u>
Fund balances:					
Assigned	2,697	-	33,026	1,063	36,786
Restricted	-	-	7,298,516	1,092,195	8,390,711
Non-spendable	-	-	-	-	-
Unassigned	180,989	-	-	-	180,989
Committed	211,801	-	-	-	211,801
Total fund balances	<u>395,487</u>	<u>-</u>	<u>7,331,542</u>	<u>1,093,258</u>	<u>8,820,287</u>
Total liabilities and fund balances	<u>\$ 632,084</u>	<u>\$ 443,786</u>	<u>\$ 8,505,071</u>	<u>\$ 1,120,671</u>	<u>\$ 10,701,612</u>

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

**BOYD COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET ASSETS
JUNE 30, 2012**

Fund balances—total governmental funds	\$ 8,820,287
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	48,338,963
Certain other assets and liabilities are not available to pay current period expenditures and therefore are not reported in the funds.	140,323
Some liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.	<u>(38,019,351)</u>
Net assets of governmental activities	<u>\$ 19,280,222</u>

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

BOYD COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
From local sources:					
Taxes -					
Property	\$ 4,653,114	\$ -	\$ -	\$ 1,370,600	\$ 6,023,714
Motor vehicles	1,023,229	-	-	-	1,023,229
Utilities	2,273,019	-	-	-	2,273,019
Tuition and fees	58,819	-	-	-	58,819
Interest income	86,328	2,528	141,863	25,476	256,195
Other local revenues	469,770	59,907	-	-	529,677
Intergovernmental - State	16,822,143	1,238,247	-	1,583,573	19,643,963
Intergovernmental - Indirect federal	96,900	2,259,056	-	-	2,355,956
Intergovernmental - Direct federal	63,244	1,569,797	-	-	1,633,041
Intergovernmental - Federal subsidy	-	-	-	632,397	632,397
Total revenues	<u>25,546,566</u>	<u>5,129,535</u>	<u>141,863</u>	<u>3,612,046</u>	<u>34,430,010</u>
Expenditures:					
Current:					
Instruction	16,942,941	3,749,635	-	-	20,692,576
Support services:					
Students	1,497,032	395,048	-	-	1,892,080
Instructional staff	951,074	479,424	-	-	1,430,498
District administration	603,050	-	-	-	603,050
School administration	1,427,737	92,494	-	-	1,520,231
Business and other support services	545,443	53,040	-	-	598,483
Operation and maintenance of plant	3,439,126	91,635	-	-	3,530,761
Student transportation	1,552,487	72,125	-	-	1,624,612
Community services	20,734	253,402	-	-	274,136
Facilities acquisition and construction	-	-	16,999,111	-	16,999,111
Debt service	9,456	-	-	3,531,353	3,540,809
Total expenditures	<u>26,989,080</u>	<u>5,186,803</u>	<u>16,999,111</u>	<u>3,531,353</u>	<u>52,706,347</u>
Excess (deficiency) of revenues over expenditures	<u>(1,442,514)</u>	<u>(57,268)</u>	<u>(16,857,248)</u>	<u>80,693</u>	<u>(18,276,337)</u>
Other financing sources (uses):					
Gain on sale of equipment	25,664	-	-	-	25,664
Transfers in	-	57,268	-	2,196,742	2,254,010
Transfers out	(57,268)	-	-	(2,196,742)	(2,254,010)
Total other financing sources and uses	<u>(31,604)</u>	<u>57,268</u>	<u>-</u>	<u>-</u>	<u>25,664</u>
Net change in fund balances	(1,474,118)	-	(16,857,248)	80,693	(18,250,673)
Fund balances, June 30, 2011	<u>1,869,605</u>	<u>-</u>	<u>24,188,790</u>	<u>1,012,565</u>	<u>27,070,960</u>
Fund balances, June 30, 2012	<u>\$ 395,487</u>	<u>\$ -</u>	<u>\$ 7,331,542</u>	<u>\$ 1,093,258</u>	<u>\$ 8,820,287</u>

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

BOYD COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Net change in fund balances—total governmental funds \$ (18,250,673)

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

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

Capital outlay	17,402,910	
Depreciation expense	(1,254,984)	16,147,926

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

Long-term portion of accrued sick leave	154,062
Bond issue costs, net of amortization	(7,584)

Bond and capital lease proceeds are recognized as revenues of current financial resources in the fund financial statements, but are increases in liabilities in the statement of net assets. (175,989)

Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statements but are reductions of liabilities in the statement of net assets. 1,427,524

Change in net assets of governmental activities \$ (704,734)

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

**BOYD COUNTY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012**

	<u>Food Service Fund</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 279,306
Receivables (net of allowances for uncollectibles)	
Intergovernmental - federal	13,621
Inventories	<u>118,304</u>
Total current assets	<u>411,231</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>83,145</u>
Total noncurrent assets	<u>83,145</u>
Total assets	<u>\$ 494,376</u>
Liabilities	
Current liabilities:	
Accounts payable	<u>\$ 4,748</u>
Total current liabilities	<u>4,748</u>
Total liabilities	<u>4,748</u>
Net Assets	
Non-spendable for inventories	118,304
Restricted	<u>371,324</u>
Total net assets	<u>489,628</u>
Total liabilities and net assets	<u>\$ 494,376</u>

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

**BOYD COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Food Service Fund</u>
Operating revenues:	
Lunchroom sales	\$ 530,435
Total operating revenues	<u>530,435</u>
Operating expenses:	
Salaries and wages	558,617
Employee benefits	244,761
Materials and supplies	822,621
Depreciation	16,944
Other operating expenses	3,406
Total operating expenses	<u>1,646,349</u>
Operating loss	<u>(1,115,914)</u>
Nonoperating revenues :	
Federal grants	988,352
Investment income	438
Donated commodities	99,188
State grants	116,548
Total nonoperating revenue	<u>1,204,526</u>
Increase in net assets	88,612
Net assets, June 30, 2011	<u>401,016</u>
Net assets, June 30, 2012	<u>\$ 489,628</u>

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

**BOYD COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Food Service Fund</u>
Cash flows from operating activities:	
Cash received from:	
Lunchroom sales	\$ 530,435
Cash paid to/for:	
Payments to suppliers and providers of goods and services	(773,394)
Payments to employees	(803,378)
Other payments	(3,406)
Net cash used for operating activities	<u>(1,049,743)</u>
 Cash flows from noncapital financing activities:	
Government grants	<u>1,102,496</u>
Net cash provided by noncapital and related financing activities	<u>1,102,496</u>
 Cash flows from capital and related financing activities:	
Purchases of capital assets	<u>(5,233)</u>
Net cash used for capital and related financing activities	<u>(5,233)</u>
 Cash flows from investing activities:	
Interest received on investments	<u>438</u>
Net cash provided by investing activities	<u>438</u>
 Net increase in cash and cash equivalents	47,958
 Cash and cash equivalents, June 30, 2011	<u>231,348</u>
 Cash and cash equivalents, June 30, 2012	<u><u>\$ 279,306</u></u>
 Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (1,115,914)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	16,944
Donated commodities	99,188
Change in assets and liabilities:	
Inventory	(42,812)
Accounts payable	(7,149)
 Net cash provided by (used for) operating activities	<u><u>\$ (1,049,743)</u></u>
 Non-cash items:	
Donated commodities	\$ 99,188
On-behalf payments	99,759

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

**BOYD COUNTY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012**

	Trust Funds	Day Care Funds	Activity Funds
Assets			
Cash and cash equivalents	\$ 103,662	\$ -	\$ 500,557
Accounts receivable	-	47,265	7,591
Total assets	<u>103,662</u>	<u>47,265</u>	<u>508,148</u>
Liabilities			
Accounts payable	-	46,913	1,800
Interfund payable	-	-	-
Due to students	-	-	506,348
Total liabilities	<u>-</u>	<u>46,913</u>	<u>508,148</u>
Net assets held in trust	<u>\$ 103,662</u>	<u>\$ 352</u>	<u>\$ -</u>

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

**BOYD COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Trust Funds</u>	<u>Day Care Funds</u>
Additions -		
Interest income	\$ 3,076	\$ -
Other local revenues	-	269,740
Intergovernmental - State (on-behalf)	-	24,542
	<u>3,076</u>	<u>294,282</u>
 Deductions -		
Operating expenses	-	294,402
Benefits paid	3,000	-
	<u>3,000</u>	<u>294,402</u>
 Change in net assets	 76	 (120)
 Restricted net assets, June 30, 2011	 <u>103,586</u>	 <u>472</u>
 Restricted net assets, June 30, 2012	 <u>\$ 103,662</u>	 <u>\$ 352</u>

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

BOYD COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes -				
Property	\$ 4,351,639	\$ 4,729,000	\$ 4,653,114	\$ (75,886)
Motor vehicles	900,000	900,000	1,023,229	123,229
Utilities	2,300,000	2,550,000	2,273,019	(276,981)
Tuition and fees	45,000	50,000	58,819	8,819
Interest income	120,000	100,000	86,328	(13,672)
Other local revenues	382,400	500,225	469,770	(30,455)
Intergovernmental - State	11,138,428	11,745,903	11,762,131	16,228
Intergovernmental - Indirect federal	20,000	30,000	96,900	66,900
Intergovernmental - Direct federal	58,000	61,500	63,244	1,744
Total revenues	<u>19,315,467</u>	<u>20,666,628</u>	<u>20,486,554</u>	<u>(180,074)</u>
Expenditures:				
Current:				
Instruction	12,450,938	13,107,005	13,155,193	(48,188)
Support services:				
Students	1,014,623	1,147,007	1,185,523	(38,516)
Instructional staff	720,622	752,327	768,467	(16,140)
District administration	564,387	599,122	560,065	39,057
School administration	1,127,335	1,260,507	1,158,171	102,336
Business and other support services	407,988	433,651	420,588	13,063
Operation and maintenance of plant	2,929,432	3,120,248	3,229,043	(108,795)
Student transportation	1,345,013	1,282,353	1,426,019	(143,666)
Community services	17,500	17,702	16,543	1,159
Debt service	9,477	34,456	9,456	25,000
Facilities acquisition and construction	-	-	-	-
Contingency	721,188	678,587	-	678,587
Total expenditures	<u>21,308,503</u>	<u>22,432,965</u>	<u>21,929,068</u>	<u>503,897</u>
Excess (deficiency) of revenues over expenditures	<u>(1,993,036)</u>	<u>(1,766,337)</u>	<u>(1,442,514)</u>	<u>323,823</u>
Other financing sources (uses):				
Gain on sale of equipment	24,000	24,000	25,664	1,664
Transfers in	-	-	-	-
Transfers out	(75,000)	(57,268)	(57,268)	-
Total other financing sources and uses	<u>(51,000)</u>	<u>(33,268)</u>	<u>(31,604)</u>	<u>1,664</u>
Net change in fund balances	<u>(2,044,036)</u>	<u>(1,799,605)</u>	<u>(1,474,118)</u>	<u>325,487</u>
Fund balances, June 30, 2011	<u>2,044,036</u>	<u>1,799,605</u>	<u>1,869,605</u>	<u>70,000</u>
Fund balances, June 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 395,487</u>	<u>\$ 395,487</u>
Adjustments to Generally Accepted Accounting Principles -				
Intergovernmental State Revenue			\$ 5,060,012	
On-behalf payments:				
Instruction			(3,787,748)	
Support services:				
District administration			(42,985)	
Operation and maintenance of plant			(210,083)	
Student transportation			(126,468)	
Student Support			(311,509)	
Instructional staff			(182,607)	
School administration			(269,566)	
Business support			(124,855)	
Community service			(4,191)	
Fund balance, June 30, 2012 (GAAP basis)			<u>\$ 395,487</u>	

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

BOYD COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest income	\$ 1,000	\$ 1,000	\$ 2,528	\$ 1,528
Other local revenues	28,486	38,984	59,907	20,923
Intergovernmental - State	2,519,340	1,197,788	1,238,247	40,459
Intergovernmental - Indirect federal	2,854,382	2,046,223	2,259,056	212,833
Intergovernmental - Direct federal	1,629,116	1,429,116	1,569,797	140,681
Total revenues	<u>7,032,324</u>	<u>4,713,111</u>	<u>5,129,535</u>	<u>416,424</u>
Expenditures:				
Current:				
Instruction	5,622,859	3,458,352	3,749,635	(291,283)
Support services:				
Students	537,705	364,077	395,048	(30,971)
Instructional staff	452,312	451,614	479,424	(27,810)
District administration	-	-	-	-
School administration	99,049	102,377	92,494	9,883
Business and other support services	46,993	53,361	53,040	321
Operation and maintenance of plant	51,408	51,408	91,635	(40,227)
Student transportation	55,000	50,000	72,125	(22,125)
Community services	241,998	239,190	253,402	(14,212)
Total expenditures	<u>7,107,324</u>	<u>4,770,379</u>	<u>5,186,803</u>	<u>(416,424)</u>
Excess (deficiency) of revenues over expenditures	<u>(75,000)</u>	<u>(57,268)</u>	<u>(57,268)</u>	<u>-</u>
Other financing sources (uses):				
Transfers in	75,000	57,268	57,268	-
Transfers out	-	-	-	-
Total other financing sources and uses	<u>75,000</u>	<u>57,268</u>	<u>57,268</u>	<u>-</u>
Net change in fund balances	-	-	-	-
Fund balances, June 30, 2011	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, June 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

BOYD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

(1) REPORTING ENTITY

The Boyd County Board of Education (Board), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Boyd County School District (District). The District receives funding from local, state and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards as Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The Board, for financial reporting purposes, includes all of the funds and account groups relevant to the operation of the Boyd County School District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

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

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements. Copies of component unit reports may be obtained from the District's Finance Office at 1104 Bob McCullough Drive, Ashland, Kentucky 41102.

Boyd County School District Finance Corporation

On August 28, 1989, Boyd County, Kentucky, Board of Education resolved to authorize the establishment of the Boyd County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Boyd County Board of Education also comprise the Corporation's Board of Directors.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

Government-wide statements provide information about the primary government (the District). The statements include a statement of net assets and a statement of activities. These statements report the financial activities of the overall government, except for fiduciary activities. They also distinguish between the governmental and business-type activities of the District.

Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

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

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

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the 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. 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).

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

(D) The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related costs; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

II. Proprietary Funds (Enterprise Fund)

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

III. Fiduciary Fund Types (includes agency and trust funds)

The Activity Funds account for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with *Uniform Program of Accounting for School Activity Funds*. The Hamilton Scholarship Fund is accounted for as an expendable trust fund on the modified accrual basis.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Government 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, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue

from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

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

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditure) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

Property Taxes

Property taxes collected are recorded as revenues in the fund for which they were levied. The District's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District. The assessed value of property upon which the levy for the 2012 fiscal year was based was \$1,196,616,620.

The tax rates assessed for the year ended June 30, 2012 to finance general fund operations were \$.539 on real estate and \$.539 per \$100 valuation on tangible property.

Taxes are due on October 1 and become delinquent by February 1 following the October 1 levy date. Current tax collections for the year ended June 30, 2012 were 90.75% of the tax levy.

In-Kind

Local contributions, which include contributed services provided by individuals, private Districts and local governments, are used to match federal and state administered funding on various grants. The District also receives commodities from the U.S.D.A. The amounts of such services and commodities are recorded in the accompanying financial statements at their estimated fair market values.

Cash and Cash Equivalents

The Board considers demand deposits, money market funds, and other investments with an original maturity of 6 months or less, to be cash equivalents.

Inventories

Supplies and materials are charged to expenditures when purchased with the exception of the Proprietary Funds, which records inventory using the accrual basis of accounting. Inventories are stated at the lower of cost or market, on the first-in, first-out basis.

Capital Assets

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

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

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Infrastructure	20 years
Technology equipment	5 years
Vehicles	5-10 years
Food service equipment	5-12 years
Other general	7-11 years

Interfund Balances

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

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major difference between the budgetary basis and the GAAP basis is that on-behalf payments made by the state for the District are not budgeted. See note (12) for these amounts which were not known by the District at the time the budget was adopted.

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

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

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable

from proprietary funds are reported on the proprietary fund financial statements.

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

Fund Balance Reserves

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

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

Net Assets

Net assets represent the difference between assets and liabilities. Net assets 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 assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses

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

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating

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

Estimates

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

Future Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has recently issued GASB No. 62, *Codification of Accounting and Financial Reporting Guidance*, that incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The requirements of GASB No. 62 are effective for fiscal year 2013 and thereafter. The District has not completed the process of the evaluation of GASB No. 62, but does not expect it to have an impact on its financial statements.

The Governmental Accounting Standards Board (GASB) has recently issued GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, that provides financial reporting guidance for deferred outflows and inflows of resources. While these elements were introduced and defined by Concepts Statement No. 4, *Elements of Financial Statements*, as a consumption and acquisition of net assets by the government that is applicable to a future reporting period, respectively, these elements have not been included in previous reporting guidance. The requirements of GASB No. 63 are effective for fiscal year 2013 and thereafter. The District has not completed the process of evaluating GASB No. 63, but it is expected to change only the formatting and naming of its statement of position and components thereof, with no overall financial impact.

(3) DEBT OBLIGATIONS

The amount shown in the accompanying financial statements as bond obligations represents the Board's future obligations to make lease payments relating to the bonds issued by the Boyd County Fiscal Court and the Boyd County School District Finance Corporation ("BCSDFC"), in the original amount of \$41,645,000.

Bonds

The General Fund, Facilities Support Program (FSPK) Fund and the SEEK Capital Outlay Fund are obligated to make lease payments. The lease agreements provide among other things, (1) for rentals sufficient to satisfy debt service requirements on bonds issued by the Fiscal Court and the BCSDFC to construct school facilities and (2) the Board with the option to purchase the properties under leases at any time by retiring the bonds then outstanding. The proceeds from certain refunding issues have been placed in escrow accounts to be used to service the related debt.

The original amount of present outstanding issues, the issue dates, and interest rates are summarized below:

<u>Issue</u>	<u>Original Amount</u>	<u>Interest Rates</u>
Issue of 1996	\$ 425,000	4.60-5.70%
Issue of 2008	5,950,000	4.40-5.75%
Issue of 2009R	1,490,000	4.00-5.25%
Issue of 2009	810,000	1.75-4.20%
Issue of 2011	32,970,000	1.25-6.25%
	<u>\$ 41,645,000</u>	

The bonds may be called prior to maturity at dates and redemption premiums specified in each issue.

A summary of activity in bond obligations and other debts is as follows:

<u>Description</u>	<u>Balance at June 30, 2011 (as restated)</u>	<u>Issued</u>	<u>Payments</u>	<u>Balance at June 30, 2012</u>
General obligation bonds - \$41,645,000 originally issued with interest rates ranging from 1.25% to 6.25%	\$ 38,680,000	\$ -	\$ 1,420,000	\$ 37,260,000
KISTA	55,304	175,989	7,524	223,769
Accumulated unpaid sick leave benefits	689,644	-	154,062	535,582
	<u>\$ 39,424,948</u>	<u>\$ 175,989</u>	<u>\$ 1,581,586</u>	<u>\$ 38,019,351</u>

In connection with the bond issues of 1996, 2008, 2009, 2009R, and 2011, the Board entered into a participation agreement with the Kentucky School Facilities Construction Commission, whereby the Commission has agreed to provide amounts on an annual basis (reflected in the following table) toward the payment of principal and interest requirements on the bonds. The agreement is in effect for a period of two years. The obligation of the Commission to make said payments shall automatically renew every two years, unless the Commission provides the Board notice of its intention not to participate within sixty days prior to the expiration of the two year period.

Assuming no issues are called prior to scheduled maturity and that the Kentucky School Facilities Construction Commission continues to renew its agreement, the minimum obligations at June 30, 2012 for debt service (principal and interest) are as follows:

<u>Year</u>	<u>Kentucky School Facilities Construction Commission</u>		<u>Boyd County School District</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2013	\$ 334,841	\$ 238,313	\$ 1,337,067	\$ 996,275	\$ 2,906,496
2014	343,108	230,045	1,359,719	971,788	2,904,660
2015	352,781	220,372	1,387,144	943,885	2,904,182
2016	364,206	208,948	1,416,370	910,933	2,900,457
2017	366,724	197,003	1,453,011	875,579	2,892,317
2018-2022	1,390,328	811,599	7,823,470	3,793,635	13,819,032
2023-2027	1,194,377	537,574	9,005,623	2,491,737	13,229,311
2028-2032	1,162,745	169,970	8,192,255	777,322	10,302,292
	<u>\$ 5,509,110</u>	<u>\$ 2,613,824</u>	<u>\$ 31,974,659</u>	<u>\$ 11,761,154</u>	<u>\$ 51,858,747</u>

(4) 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. At June 30, 2012, this amount totaled \$535,852.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments. The District follows a policy of funding the estimated portion payable in one year based upon a historical average as assigned General Fund balance.

(5) RETIREMENT PLANS

A. Kentucky Teachers Retirement System:

The Kentucky Local School District contributes to the Teachers Retirement System of Kentucky ("KTRS"), a cost sharing, multiple-employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees of the public school systems and other public educational agencies in Kentucky. KTRS requires that members of KTRS occupy a position requiring a four (4) year college degree or certification by Kentucky Department of Education (KDE). Job classifications that permit experience to substitute for either of these requirements do not participate in KTRS,

The KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to Kentucky Teachers Retirement System, 479 Versailles Road, Frankfort, Kentucky 40601 or from the KTRS web site at <http://www.ktrs.ky.gov/>.

Funding policy - Contribution rates are established by KRS. Members who established an account in a state retirement system before July 1, 2008 are required to contribute 10.355% of their salaries to KTRS. Members hired after July 1, 2008, contribute 10.855% of their salaries to KTRS. The Commonwealth of Kentucky contributes matching contributions at the rate of 13.105% of salaries for members in a state retirement system before July 1, 2008 and 14.105% for members hired after July 1, 2008. The Federal program for any salaries paid by that program pays the matching contributions.

The District's total payroll for the year was \$17,878,218. The payroll for employees covered under KTRS was \$15,492,589. For the years ended June 30, 2012, 2011, and 2010, the Commonwealth of Kentucky contributed \$1,833,976, \$1,837,038, and \$1,810,088, respectively, to KTRS for the benefit of the District's participating employees. The District's contributions to KTRS for the years ending June 30, 2012, 2011, and 2010 were \$215,449, \$224,107, and \$265,641, respectively, which represents those employees covered by Federal programs.

B. Medical Insurance Plan

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

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

Funding policy - In order to fund the post-retirement healthcare benefit, 2.5% of the gross

annual payroll of members before July 1, 2008 is contributed. 1.25% is paid by member contributions and .75% from state appropriation, and .50% from the employer. Members after July 1, 2008 contribute an additional .50% to the medical insurance fund. Also, premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

C. County Employee's Retirement System:

The District contributes to the County Employee's Retirement System ("CERS"), a cost-sharing, multiple-employer defined benefit pension plan administered by the Kentucky General Assembly. It covers substantially all regular full-time members employed in non-hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in the CERS. CERS provides for retirement, disability, and death benefits to plan members. Cost of living adjustments are provided at the discretion of the State legislature.

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

Plan members are required to contribute 5% of their annual creditable compensation, and the District is required to contribute 18.96% of the employee's total compensation. Plan members hired after July 1, 2008 contribute an additional 1% towards health insurance. The contribution requirements of CERS members and the District are established and may be amended by the CERS Board of Trustees. The District's contributions to CERS for the years ending June 30, 2012, 2011, and 2010 were \$997,179, \$906,835, and \$850,887, respectively, equal to the required contributions for the year.

(6) CASH AND CASH EQUIVALENTS

The funds of the District must be deposited and invested under the terms of a contract. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At June 30, 2012, the carrying amount of the Board's cash and cash equivalents was \$10,507,360 and the bank balances totaled \$11,362,020. Of the total bank balances, \$1,285,462 was insured by Federal Depository insurance, with the remainder covered by a collateral agreement and collateral held by the pledging banks' trust departments in the District's name.

General Fund cash and cash equivalents at June 30, 2012 consisted of a money market checking account.

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

(7) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

<u>Governmental Activities</u>	<u>June 30, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2012</u>
Capital Assets, Not Depreciated:				
Land	\$ 2,095,900	\$ -	\$ -	\$ 2,095,900
Construction in progress	11,331,599	16,999,111	-	28,330,710
Capital Assets, Depreciated:				
Land improvements	19,450	-	-	19,450
Buildings and improvements	60,701,987	26,922	-	60,728,909
Technology equipment	3,750,583	170,521	131,294	3,789,810
Vehicles	3,393,505	182,490	151,830	3,424,165
General	1,266,371	23,866	-	1,290,237
Infrastructure	98,716	-	-	98,716
Totals at historical cost	<u>82,658,111</u>	<u>17,402,910</u>	<u>283,124</u>	<u>99,777,897</u>

Less: accumulated depreciation -				
Land improvements	(5,134)	(972)	-	(6,106)
Buildings and improvements	(43,131,595)	(772,840)	-	(43,904,435)
Technology equipment	(3,295,802)	(241,811)	(131,294)	(3,406,319)
Vehicles	(3,072,632)	(176,585)	(151,830)	(3,097,387)
General	(927,067)	(57,840)	-	(984,907)
Infrastructure	(34,844)	(4,936)	-	(39,780)
Total accumulated depreciation	<u>(50,467,074)</u>	<u>(1,254,984)</u>	<u>(283,124)</u>	<u>(51,438,934)</u>

Governmental Activities				
Capital Assets - Net	<u>\$ 32,191,037</u>	<u>\$ 16,147,926</u>	<u>\$ -</u>	<u>\$ 48,338,963</u>

Business - Type Activities

Capital Assets, Depreciated:				
Food service equipment	\$ 690,585	\$ -	\$ 3,100	\$ 687,485
Buildings and improvements	63,756	-	-	63,756
Technology equipment	49,600	5,233	-	54,833
Totals at historical cost	<u>803,941</u>	<u>5,233</u>	<u>3,100</u>	<u>806,074</u>

Less: accumulated depreciation				
Food service and equipment	(646,650)	(12,319)	(3,100)	(655,869)
Buildings and improvements	(14,239)	(2,550)	-	(16,789)
Technology equipment	(48,196)	(2,075)	-	(50,271)
Total accumulated depreciation	<u>(709,085)</u>	<u>(16,944)</u>	<u>(3,100)</u>	<u>(722,929)</u>

Business-Type Activities				
Capital Assets - Net	<u>\$ 94,856</u>	<u>\$ (11,711)</u>	<u>\$ -</u>	<u>\$ 83,145</u>

Depreciation expense was allocated to governmental functions as follows:

Instruction	\$ 1,008,738
District administration	1,107
School administration	1,270
Business support services	141
Plant operation & maintenance	79,038
Student transportation	163,904
Community services	786
	<u>\$ 1,254,984</u>

(8) OPERATING LEASES

The District has operating lease agreements for use of equipment and various parcels of real estate cancelable annually with the option to renew. The District recognizes the expenditures related to those obligations as lease payments are made. Total rent expenditures under operating type leases were approximately \$193,556.

Future minimum annual lease payments under operating lease agreements are as follows:

<u>Year Ending June 30,</u>	<u>Total</u>
2013	\$ 88,800
2014	60,000
2015	60,000
	<u>\$ 208,800</u>

(9) COMMITMENTS AND CONTINGENCIES

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

The District has outstanding construction commitments of approximately \$6,543,717 at June 30, 2012. The District is subject to certain legal proceedings arising from normal business activities. Administrative officials believe that these actions are without merit or that the ultimate liability, if any, resulting from them will not materially affect the accompanying financial statements.

(10) 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 Boards 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 Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance Fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

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

(11) COBRA

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

(12) ON-BEHALF PAYMENTS

For fiscal year 2012, the Commonwealth of Kentucky contributed payments on behalf of the Boyd County School District as follows:

<u>Plan/Description</u>	<u>Amount</u>
Kentucky Teachers Retirement System	\$ 1,833,976
Health and Life Insurance Plans	3,276,662
Technology	66,134
Vocational	7,541

These amounts are included in the financial statements as State Revenue and an expense allocated to the different functions in the same proportion as full-time employees.

(13) TRANSFER OF FUNDS

The following transfers were made during the year.

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Debt Service	Capital Project Fund (FSPK)	Debt Service Fund	Debt Service	\$ 2,196,742
Operating	General Fund	Special Revenue Fund	Technology Match	57,268

(14) PRIOR PERIOD ADJUSTMENTS

The District issued \$1,490,000 in Refunding Revenue Bonds on February 1, 2009. As part of the refunding, it was recorded that the 1996 Issue was fully paid off with the refunding. Actually, the balance was not fully paid off. At June 30, 2011 the balance of the debt was \$165,000.

Beginning net assets have been restated as follows:

	<u>Governmental Activities</u>	
	<u>As Previously Reported</u>	<u>As Restated</u>
Statement of Net Assets		
Total assets	\$ 61,711,060	\$ 61,711,060
Total liabilities	41,561,104	41,726,104
Net Assets:		
Invested in capital assets, net of related debt	(6,379,267)	(6,544,267)
Restricted for:		
Capital projects	25,072,294	25,072,294
Other purposes	129,061	129,061
Unrestricted	1,327,868	1,327,868
Total net assets	<u>\$ 20,149,956</u>	<u>\$ 19,984,956</u>

SUPPLEMENTAL INFORMATION

**BOYD COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012**

	<u>Capital Project Funds</u>	<u>Debt Service Funds</u>	<u>Total Non-Major Governmental Funds</u>
ASSETS:			
Cash and cash equivalents	\$ 1,093,258	\$ 27,413	\$ 1,120,671
Accounts receivable	-	-	-
Total assets	<u>\$ 1,093,258</u>	<u>\$ 27,413</u>	<u>\$ 1,120,671</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts payable	\$ -	\$ 27,413	\$ 27,413
Total liabilities	<u>-</u>	<u>27,413</u>	<u>27,413</u>
Fund Balances:			
Assigned	1,063	-	1,063
Restricted	1,092,195	-	1,092,195
Total fund balance	<u>1,093,258</u>	<u>-</u>	<u>1,093,258</u>
Total liabilities and fund balances	<u>\$ 1,093,258</u>	<u>\$ 27,413</u>	<u>\$ 1,120,671</u>

**BOYD COUNTY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012**

	Capital Project Funds	Debt Service Funds	Total Non-Major Governmental Funds
REVENUES:			
From local sources -			
Property taxes	\$ 1,370,600	\$ -	\$ 1,370,600
Earnings on investments	25,476	-	25,476
Intergovernmental - State	1,010,420	573,153	1,583,573
Intergovernmental - Federal Subsidy	-	632,397	632,397
Total revenues	<u>2,406,496</u>	<u>1,205,550</u>	<u>3,612,046</u>
EXPENDITURES:			
Current -			
Facilities acquisition and construction	-	-	-
Debt service	-	3,531,353	3,531,353
Total expenditures	<u>-</u>	<u>3,531,353</u>	<u>3,531,353</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,406,496</u>	<u>(2,325,803)</u>	<u>80,693</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	-	2,196,742	2,196,742
Operating transfers out	(2,196,742)	-	(2,196,742)
Total other financing sources (uses)	<u>(2,196,742)</u>	<u>2,196,742</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	209,754	(129,061)	80,693
FUND BALANCE JUNE 30, 2011	<u>883,504</u>	<u>129,061</u>	<u>1,012,565</u>
FUND BALANCE JUNE 30, 2012	<u>\$ 1,093,258</u>	<u>\$ -</u>	<u>\$ 1,093,258</u>

**BOYD COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2012**

	SEEK Funds	FSPK Fund	Boyd County School District Finance Corporation	Total Capital Project Funds
ASSETS:				
Cash and cash equivalents	\$ 483,299	\$ 608,896	\$ 1,063	\$ 1,093,258
Accounts receivable	-	-	-	-
Total assets	<u>\$ 483,299</u>	<u>\$ 608,896</u>	<u>\$ 1,063</u>	<u>\$ 1,093,258</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Assigned	-	-	1,063	1,063
Restricted for KSFCC Escrow	<u>483,299</u>	<u>608,896</u>	<u>-</u>	<u>1,092,195</u>
Total fund balance	<u>483,299</u>	<u>608,896</u>	<u>1,063</u>	<u>1,093,258</u>
Total liabilities and fund balances	<u>\$ 483,299</u>	<u>\$ 608,896</u>	<u>\$ 1,063</u>	<u>\$ 1,093,258</u>

**BOYD COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	SEEK Funds	FSPK Fund	Boyd County School District Finance Corporation	Total Capital Project Funds
REVENUES:				
From local sources -				
Property taxes	\$ -	\$ 1,370,600	\$ -	\$ 1,370,600
Earnings on investments	10,624	14,865	(13)	25,476
Other local revenues	-	-	-	-
Intergovernmental - State	290,296	720,124	-	1,010,420
Total revenues	<u>300,920</u>	<u>2,105,589</u>	<u>(13)</u>	<u>2,406,496</u>
EXPENDITURES:				
Current -				
Facilities acquisition and construction	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>300,920</u>	<u>2,105,589</u>	<u>(13)</u>	<u>2,406,496</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	-	-	-
Operating transfers out	-	(2,196,742)	-	(2,196,742)
Total other financing sources (uses)	<u>-</u>	<u>(2,196,742)</u>	<u>-</u>	<u>(2,196,742)</u>
NET CHANGE IN FUND BALANCES	300,920	(91,153)	(13)	209,754
FUND BALANCE JUNE 30, 2011	<u>182,379</u>	<u>700,049</u>	<u>1,076</u>	<u>883,504</u>
FUND BALANCE JUNE 30, 2012	<u>\$ 483,299</u>	<u>608,896</u>	<u>\$ 1,063</u>	<u>\$ 1,093,258</u>

BOYD COUNTY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NON-MAJOR DEBT SERVICE FUNDS
 JUNE 30, 2012

	1972 & 1978 Bond Fund	1996 Bond Fund	2008 Bond Fund	2009R Bond Fund	2009 Bond Fund	2010 Bond Fund	Totals Debt Service Fund
ASSETS:							
Cash and cash equivalents	\$ 27,413	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,413
Accounts receivable	-	-	-	-	-	-	-
Total assets	<u>\$ 27,413</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,413</u>
LIABILITIES AND FUND BALANCE:							
Liabilities:							
Accounts payable	\$ 27,413	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,413
Total liabilities	<u>27,413</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,413</u>
Fund Balances:							
Restricted	-	-	-	-	-	-	-
Total fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 27,413</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,413</u>

**BOYD COUNTY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NON-MAJOR DEBT SERVICE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012**

	1972 & 1978 Bond Fund	1996 Bond Fund	2008 Bond Fund	2009R Bond Fund	2009 Bond Fund	2010 Bond Fund	Totals Debt Service Fund
REVENUES:							
Intergovernmental - State	\$ -	\$ 33,655	\$ 27,159	\$ 156,958	\$ 57,215	\$ 298,166	\$ 573,153
Intergovernmental - Federal subsidy	-	-	-	-	-	632,397	632,397
Interest income	-	-	-	-	-	-	-
Total revenues	<u>-</u>	<u>33,655</u>	<u>27,159</u>	<u>156,958</u>	<u>57,215</u>	<u>930,563</u>	<u>1,205,550</u>
EXPENDITURES:							
Debt service	-	33,655	567,615	156,958	57,215	2,715,910	3,531,353
Total expenditures	<u>-</u>	<u>33,655</u>	<u>567,615</u>	<u>156,958</u>	<u>57,215</u>	<u>2,715,910</u>	<u>3,531,353</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES							
	<u>-</u>	<u>-</u>	<u>(540,456)</u>	<u>-</u>	<u>-</u>	<u>(1,785,347)</u>	<u>(2,325,803)</u>
OTHER FINANCING SOURCES (USES):							
Operating transfers in	-	-	540,456	-	-	1,656,286	2,196,742
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>540,456</u>	<u>-</u>	<u>-</u>	<u>1,656,286</u>	<u>2,196,742</u>
NET CHANGE IN FUND BALANCES							
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(129,061)</u>	<u>(129,061)</u>
FUND BALANCE JUNE 30, 2011							
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>129,061</u>	<u>129,061</u>
FUND BALANCE JUNE 30, 2012							
	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**BOYD COUNTY SCHOOL DISTRICT
STATEMENT OF GRANT, RECEIPTS,
DISBURSEMENTS AND FUND BALANCE
HEAD START
GRANT PROJECT NO. 04-CH-002409/46
FOR THE YEAR ENDED JUNE 30, 2012**

AMOUNT OF GRANT		<u>\$ 1,429,116</u>
RECEIPTS -	<u>Budget</u>	<u>Actual</u>
OCD Funds -		
Amounts awarded this budget period	\$ 1,429,116	\$ 1,429,116
Grantee's contributions	<u>357,279</u>	<u>357,279</u>
	<u>1,786,395</u>	<u>1,786,395</u>
DISBURSEMENTS -		
OCD's Share -		
Head Start Full-Year/Part-Day (PA 20 & 22)		
Direct costs -		
Personnel	855,077	845,388
Fringe benefits	320,580	305,087
Supplies	37,100	56,917
Contractual	198,935	203,283
Travel	9,290	10,152
Other	<u>8,134</u>	<u>8,289</u>
	<u>1,429,116</u>	<u>1,429,116</u>
Grantee's Share -		
Head Start Full-Year/Part-Day (PA 20 & 22)	<u>357,279</u>	<u>357,279</u>
Grantee's Total	<u>357,279</u>	<u>357,279</u>
Total disbursements	<u>1,786,395</u>	<u>1,786,395</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	-	-
ACCOUNTS RECEIVABLE	<u>-</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2012	<u>\$ -</u>	<u>\$ -</u>

**BOYD COUNTY SCHOOL DISTRICT
STATEMENT OF GRANT, RECEIPTS,
DISBURSEMENTS AND FUND BALANCE
HEAD START
GRANT PROJECT NO. 04-CH-002409/45
FOR THE YEAR ENDED JUNE 30, 2012**

				<u>\$ 1,429,116</u>
AMOUNT OF GRANT	Budget	Prior Actual	Current Year	Total Project
RECEIPTS -				
OCD Funds -				
Amounts awarded this budget period	\$ 1,429,116	\$ 1,406,017	\$ 23,099	\$ 1,429,116
Grantee's contributions	357,279	357,279	-	357,279
	<u>1,786,395</u>	<u>1,763,296</u>	<u>23,099</u>	<u>1,786,395</u>
DISBURSEMENTS -				
OCD's Share -				
Head Start Full-Year/Part-Day (PA 20 & 22)				
Direct costs -				
Personnel	870,537	838,318	-	838,318
Fringe benefits	323,155	308,249	-	308,249
Supplies	27,304	53,560	-	53,560
Contractual	194,830	214,829	-	214,829
Travel	9,290	9,673	-	9,673
Other	4,000	4,487	-	4,487
	<u>1,429,116</u>	<u>1,429,116</u>	<u>-</u>	<u>1,429,116</u>
Grantee's Share -				
Head Start Full-Year/Part-Day (PA 20 & 22)	357,279	357,279	-	357,279
Grantee's Total	<u>357,279</u>	<u>357,279</u>	<u>-</u>	<u>357,279</u>
Total disbursements	<u>1,786,395</u>	<u>1,786,395</u>	<u>-</u>	<u>1,786,395</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	-	(23,099)	23,099	-
ACCOUNTS RECEIVABLE	<u>-</u>	<u>23,099</u>	<u>(23,099)</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**BOYD COUNTY SCHOOL DISTRICT
STATEMENT OF GRANT, RECEIPTS,
DISBURSEMENTS AND FUND BALANCE
HEAD START, RECOVERY ACT
GRANT PROJECT NO. 90ST0005/01
FOR THE YEAR ENDED JUNE 30, 2012**

AMOUNT OF GRANT				<u>\$ 200,000</u>
	<u>Budget</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Actual</u>
RECEIPTS -				
OCD Funds -				
Amounts awarded this budget period	\$ 200,000	\$ 57,660	\$ 142,340	\$ 200,000
Grantee's contributions	50,000	50,000	-	50,000
	<u>250,000</u>	<u>107,660</u>	<u>142,340</u>	<u>250,000</u>
DISBURSEMENTS -				
OCD's Share -				
ARRA Early Learning Mentor Coaches				
Direct costs -				
Personnel	108,095	33,857	78,048	111,905
Fringe benefits	26,705	14,198	31,543	45,741
Travel	22,900	183	8,233	8,416
Supplies	24,800	11,081	17,932	29,013
Contractual	17,500	-	4,925	4,925
	<u>200,000</u>	<u>59,319</u>	<u>140,681</u>	<u>200,000</u>
Grantee's Share -				
ARRA Early Learning Mentor Coaches	50,000	50,000	-	50,000
Grantee's Total	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Total disbursement	<u>250,000</u>	<u>109,319</u>	<u>140,681</u>	<u>250,000</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	-	(1,659)	1,659	-
ACCOUNTS RECEIVABLE	<u>-</u>	<u>1,659</u>	<u>(1,659)</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

BOYD COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Cash Balance June 30, 2011	Receipts	Disbursements	Cash Balance June 30, 2012	Accounts Receivable	Accounts Payable	Deposits Held in Custody for Students June 30, 2012
Boyd County High School	\$ 56,862	\$ 449,399	\$ 462,217	\$ 44,044	\$ -	\$ 1,800	\$ 42,244
Boyd County Middle School	64,833	253,361	245,021	73,373	-	-	73,373
Cannonsburg Elementary	8,153	46,097	43,483	10,767	-	-	10,767
R.O.S.E. Society	2,189	2,790	1,468	3,511	-	-	3,511
Ponderosa Elementary	45,852	50,214	52,312	43,754	-	-	43,754
Summit Elementary	23,052	64,933	58,362	29,623	-	-	29,623
Catlettsburg Elementary	14,691	54,824	57,654	11,861	-	-	11,861
Early Childhood Learning Center	6,718	13,037	12,652	7,103	-	-	7,103
Cannonsburg Day Care	23,574	25,970	36,183	13,361	-	-	13,361
Boyd County Child Care	197,779	270,774	232,265	236,288	7,591	-	243,879
Youth Services Center	10,385	19,308	19,328	10,765	-	-	10,765
Vocational School	11,783	79,124	74,800	16,107	-	-	16,107
	<u>\$ 466,071</u>	<u>\$ 1,330,231</u>	<u>\$ 1,295,745</u>	<u>\$ 500,557</u>	<u>\$ 7,591</u>	<u>\$ 1,800</u>	<u>\$ 506,348</u>

BOYD COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
SCHOOL ACTIVITY FUNDS
BOYD COUNTY HIGH SCHOOL
FOR THE YEAR ENDED JUNE 30, 2012

	Cash Balance June 30, 2011	Receipts	Disburse- ment	Cash Balance June 30, 2012	Accounts Receivable (Accounts Payable)	Deposits Held in Custody for Students June 30, 2012
64th District	\$ -	\$ 10,403	\$ 10,403	\$ -	\$ -	\$ -
Academics	158	167	325	-	-	-
Ag Grant	18	-	-	18	(18)	-
AP Exams	852	5,091	5,097	846	-	846
Apple Fund	6	-	-	6	-	6
Archery	699	3,960	3,086	1,573	-	1,573
Art	4	110	107	7	-	7
Arts and Humanities	3	320	320	3	-	3
Athletics	119	103,722	103,817	24	-	24
Band	83	5,353	4,808	628	-	628
Baseball	-	3,397	3,397	-	-	-
Beta Club	1,133	23,623	24,750	6	-	6
Biology Club	344	-	344	-	-	-
Books	-	90	6	84	(84)	-
Book rental	-	22,463	22,463	-	-	-
Boys BK Boosters	-	140	140	-	-	-
Boys Golf	2,763	2,792	4,791	764	-	764
Boys/Girls Track	506	1,530	2,036	-	-	-
Broadcast Journalism	61	76	137	-	-	-
Bus Transportation	-	8,900	8,900	-	-	-
Business Dept.	10	-	-	10	-	10
Chess	35	-	-	35	-	35
Choir	704	1,915	2,373	246	-	246
Choir Uniforms	175	1,047	932	290	-	290
Choir (Special Fund)	500	400	336	564	-	564
Co Special Ed	231	230	461	-	-	-
College Fair	411	-	132	279	-	279
College Health	-	922	914	8	-	8
Cookbooks	-	735	735	-	-	-
Correspondence	13	-	-	13	-	13
Cross Country/Track	150	4,787	4,937	-	-	-
Dance Team	1,063	-	1,063	-	-	-
Drama Club	1,261	1,860	3,121	-	-	-
Dupont Grant	124	-	124	-	-	-
Emergency Relief Fund	-	220	-	220	(220)	-
English Department	340	372	485	227	-	227
English/Kindles	125	-	-	125	-	125
Environmental Science	399	-	229	170	-	170
Ext. School Service	111	-	100	11	-	11
FBLA	192	2,290	2,026	456	-	456
FCA	97	45	45	97	-	97
FCCLA	985	11,790	12,213	562	-	562
FMD/Autism	25	99	-	124	-	124
FFA	2	-	-	2	-	2
First Priority	-	200	175	25	-	25
Foundation Grant	500	-	-	500	-	500
Freshmen	179	1,429	1,287	321	-	321
Friendship Fund	181	1,870	1,751	300	(300)	-
Future Educators of Am.	18	-	10	8	-	8
Activity	9	1,716	1,692	33	-	33
Gifted	264	-	197	67	-	67
Girls Basketball Boosters	863	6,766	6,884	745	-	745
Girls Golf	2,593	2,125	4,718	-	-	-
Girls Soccer Boosters	319	-	319	-	-	-
History Club	17	-	-	17	-	17
Home Economics	518	3,057	3,240	335	-	335
Human Rights Club	38	-	-	38	-	38
Insurance	-	24	24	-	-	-
Junior Class	694	8,901	8,967	628	(554)	74

**BOYD COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
SCHOOL ACTIVITY FUNDS
BOYD COUNTY HIGH SCHOOL - CONCLUDED
FOR THE YEAR ENDED JUNE 30, 2012**

	Cash Balance June 30, 2011	Receipts	Disburse- ment	Cash Balance June 30, 2012	Accounts Receivable (Accounts Payable)	Deposits Held in Custody for Students June 30, 2012
Key Club	999	11,303	11,943	359	-	359
Kitchen Creations	487	2,616	2,379	724	-	724
KYA Gifted	-	8,359	8,346	13	-	13
Library	99	728	275	552	-	552
Lions Publishing	839	4,655	4,343	1,151	-	1,151
Locker	-	3,129	3,129	-	-	-
Math	697	2,350	2,193	854	-	854
Math / Ingles	84	-	84	-	-	-
Miscellaneous	438	17,700	17,965	173	-	173
Mock Trial	42	150	183	9	-	9
Mu Alpha Theta	108	-	-	108	-	108
Newspaper	122	-	122	-	-	-
NJROTC - FR	-	13,679	8,965	4,714	-	4,714
NJROTC - UMS	7	1,232	117	1,122	-	1,122
P.E.	1	-	-	1	-	1
Print	-	1,585	1,585	-	-	-
Registrar	301	555	803	53	-	53
Rifle Team	-	600	436	164	-	164
Science	3,255	3,247	5,633	869	-	869
Science Club	932	350	266	1,016	-	1,016
Senior Class	39	9,936	8,291	1,684	(555)	1,129
Senior Class Trip Fund	-	26,590	26,474	116	-	116
Snoddy Scholarship	-	2,000	2,000	-	-	-
Social Studies	13	-	-	13	-	13
Soft Drinks Account	-	2,493	2,493	-	-	-
Softball Boosters	267	9,678	8,746	1,199	-	1,199
Sophomore Class	1,541	-	1,363	178	-	178
Pep Club	31	106	21	116	-	116
Sports Bus Transportation	61	5,648	5,709	-	-	-
Sports Medicine	-	335	335	-	-	-
Stem Academy	-	550	540	10	-	10
Student Council	25	1,181	1,137	69	(69)	-
Swimming	472	2,325	2,797	-	-	-
Tennis	-	672	672	-	-	-
Varsity Cheerleaders	6,814	38,439	39,704	5,549	-	5,549
Volleyball Boosters	599	5,291	4,935	955	-	955
Walmart Credit Card	-	3,304	3,304	-	-	-
World Language Club	1,702	3,660	4,501	861	-	861
Yearbook	10,059	11,784	20,371	1,472	-	1,472
	<u>49,929</u>	<u>441,167</u>	<u>456,577</u>	<u>34,519</u>	<u>(1,800)</u>	<u>32,719</u>
Charitable Gaming	5	5,788	5,140	653	-	653
William P Edison Scholarship Fund	1,881	76	500	1,457	-	1,457
William P Edison Scholarship CD	5,047	-	-	5,047	-	5,047
William P Edison Scholarship CD 2	-	2,368	-	2,368	-	2,368
	<u>6,933</u>	<u>8,232</u>	<u>5,640</u>	<u>9,525</u>	<u>-</u>	<u>9,525</u>
	<u>\$ 56,862</u>	<u>\$ 449,399</u>	<u>\$ 462,217</u>	<u>\$ 44,044</u>	<u>\$ (1,800)</u>	<u>\$ 42,244</u>

BOYD COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Expenditures
<u>U.S. Department of Education</u>				
Passed through State Department of Education:				
Twenty-First Century Community Learning Centers	84.287	3400002-09	\$ 105,000	\$ 54,417
Twenty-First Century Community Learning Centers	84.287	3400002-10	80,000	47,563
Twenty-First Century Community Learning Centers	84.287	3400002-11	5,000	5,000
				<u>106,980</u>
Title I Grants to Local Educational Agencies	84.010	3100202-10	68,380	54,611 *
Title I Grants to Local Educational Agencies	84.010	3100202-11	801,589	648,860 *
Title I Grants to Local Educational Agencies	84.010	3100202-09	726,475	145,179 *
Title I Grants to Local Educational Agencies	84.010	3100202-10	719,874	70,690 *
ARRA - Title I Program for Neglected and Delinquent Children	84.389	4100102-09	161,197	21,615 *
ARRA - Title I Grants to Local Educational Agencies	84.389	4100002-09	319,959	18,037 *
				<u>958,992</u>
Title I Program for Neglected and Delinquent Children	84.013	3100102-11	127,835	127,835
Title I Program for Neglected and Delinquent Children	84.013	3100102-10	237,525	70,309
				<u>198,144</u>
ARRA - School Improvement Grants	84.388	4100302-09	54,147	9,708
ARRA - School Improvement Grants	84.388	4100302-09	46,647	43,179
				<u>52,887</u>
Edu Jobs	84.410	EJOB00-10	689,350	10,285
ARRA - BOSS - Educational Technology State Grants	84.386	4210002-09	12,552	1,659
Race to the Top	84.413	3960002-11	32,324	3,998
Special Education Cluster (IDEA):				
Special Education Grants to States - IDEA, Part B	84.027	3810002-10	746,252	125 *
Special Education Grants to States - IDEA, Part B	84.027	3810002-11	722,911	655,922 *
Special Education Preschool Grants	84.173	3800002-10	41,407	1,488 *
Special Education Preschool Grants	84.173	3800002-11	41,379	41,379 *
ARRA - Special Education - IDEA B	84.391	4810002-09	738,493	246 *
				<u>699,160</u>
Improving Teacher Quality State Grants	84.367	3230002-11	182,030	182,030
Vocational Education Basic Grants to States	84.048	4621132-10	1,203	1,203
Vocational Education Basic Grants to States	84.048	4621032-09	1,737	1,643
Vocational Education Basic Grants to States	84.048	4621132-10	33,738	34,541
				<u>37,387</u>
Learn and Serve America - School and Community Based Programs	94.004	1000002-10	5,500	779
ARRA - Education for Homeless Children and Youth	84.387	4990002-09	17,898	1,982
Total pass-through State Department of Education				<u>2,254,283</u>

**BOYD COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Expenditures
Passed through Morehead State University:				
Appalachian Regional Development	23.001	6881	5,000	2,536
Appalachian Regional Development	23.001	6882	3,000	2,237
				<u>4,773</u>
Total U.S. Department of Education				<u>2,259,056</u>
U.S. Department of Health and Human Services				
Direct Program:				
Head Start	93.600	6552	1,429,116	1,429,116 *
ARRA - Head Start	93.708	6551E	200,000	140,681 *
Total U.S. Department of Health and Human Services				<u>1,569,797</u>
U.S. Department of Defense				
Direct Program:				
Basic, Applied, and Advanced Research in Science and Engineering	12.630	ROTC	-	63,244
Total U.S. Department of Defense		(General Fund)		<u>63,244</u>
U.S. Department of Agriculture				
Pass-through - State Department of Education:				
Cash Assistance:				
Child and Adult Care Food Program	10.558	7790021-12	-	16,639
Child Nutrition Cluster:				
National School Lunch Program	10.555	7750002-12	-	693,807 *
Summer Food Service Program for Children	10.559	7690024-11	-	2,515 *
Summer Food Service Program for Children	10.559	7740023-11	-	24,333 *
School Breakfast Program	10.553	7760005-12	-	265,405 *
Cash Assistance Subtotal				<u>986,060</u>
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	10.555	012-0100	-	99,188 *
Total Child Nutrition Cluster				<u>1,085,248</u>
Total U.S. Department of Agriculture				<u>1,101,887</u>
Total Federal Assistance				<u>\$ 4,993,984</u>

* Denotes a major program.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Boyd County School District under the programs of the federal government for the year ended June 30, 2012. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Government, and Non-Profit Organizations. Because the schedule presents only a selected portion of operations of the Boyd County School District, it is not intended to and does not present the financial position, changes in net assets or cash flows of the District.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2012, the organization had total inventory of \$118,304.



Kelley,
Galloway &
Company, PSC

CERTIFIED PUBLIC ACCOUNTANTS

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

Kentucky State Committee for
School District Audits
Members of the Board of Education
Boyd County School District
Ashland, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Boyd County School District (the "District") as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 15, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Independent Auditor's Contract - General Audit Requirements and Appendix II to the Independent Auditor's Contract - State Audit Requirements and Appendix III to the Independent Auditor's Contract - Electronic Submission*.

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material

weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's basic 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 are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in Appendix II of the *Independent Auditors' Contract-State Audit Requirements*, and Appendix III to the *Independent Auditor's Contract - Electronic Submission*.

We noted certain matters that we reported to management of the District in a separate letter dated October 15, 2012.

This report is intended solely for the information and use of the Board, management, the Kentucky Department of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Kelley Dalloway & Company, PSC

October 15, 2012



Kelley,
Galloway &
Company, PSC

CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Kentucky State Committee for
School District Audits
Members of the Board of Education
Boyd County School District
Ashland, Kentucky

Compliance

We have audited the Boyd County School District's (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Independent Auditor's Contract - General Audit Requirements and Appendix II to the Independent Auditor's Contract - State Audit Requirements and Appendix III to the Independent Auditor's Contract - Electronic Submission*. 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. Our audit does not provide a legal determination on Boyd County School District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal

program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board, management, others within the entity, the Kentucky Department of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Kelley Gallowsy Company, PSC

October 15, 2012

**BOYD COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

(A) SUMMARY OF AUDIT RESULTS

Type of Auditor's report issued: Unqualified

Internal Control over financial reporting:

Material weakness(es) identified? _____ yes x no

Significant deficiency(ies) identified that are not considered to material weaknesses? _____ yes x none reported

Noncompliance material to the financial statements noted? _____ yes x no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes x no

Significant deficiency(ies) identified that are not considered to be material weakness(es). _____ yes x none reported

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

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

The District had the following major programs with CFDA numbers in parentheses for the year ended June 30, 2012:

- Head Start (93.600 and 93.708)
- Title I (84.010 and 84.389)
- Special Education Cluster (IDEA) (84.027, 84.173, and 84.391)
- Child Nutrition Cluster (10.553, 10.555, and 10.559)

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

The District qualified as a low risk auditee x yes _____ no

(B) FINDINGS RELATED TO FINANCIAL STATEMENTS IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS

None noted in the current year.

(C) FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

There were no findings in the current year.

BOYD COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

There were no findings in the prior year.

**BOYD COUNTY SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2012**

No corrective action plan needed in the current year.



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Galloway &
Company, PSC

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Kentucky State Committee for School District Audits
Members of the Board of Education
Boyd County School District
Ashland, Kentucky

In planning and performing our audit of the financial statements of Boyd County School District (the "District") as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding these matters. This letter does not affect our report dated October 15, 2012, on the financial statements of the District.

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

Kelley, Galloway & Company, PSC

October 15, 2012

BOYD COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS
FOR THE YEAR ENDED JUNE 30, 2012

2012-1 Substitute Pay

Statement of Condition: We noted one employee signed on with the District to substitute as a Bus Monitor I and an Instructional Monitor I; however, the employee is being paid as a full-time employee with zero years of experience. The substitute pay amount for a Bus Monitor I and an Instructional Monitor I is \$7.25 per hour; however, the employee is being paid \$7.31 and \$7.87 per hour, respectively.

Criteria for Condition: The District has an approve substitute pay rate schedule.

Cause of Condition: Oversight.

Effect of Condition: Incorrect rates were paid to the substitute.

Recommendation of the Condition: We recommend that more care is taken to ensure that substitutes are paid the correct amount.

Management Response: The payroll staff has adopted a procedure of having a second person review payroll setups before finalizing them.

2012-2 Head Start Eligibility

Statement of Condition: We noted the following instances in completing the Head Start applications:

1. Household Size - For one application out of 25, we noted that the household size per the application did not agree to the system. This did not affect eligibility in this case.
2. Poverty Level - For one application out of 25, we noted the applicant was marked as being in the 100-130% poverty level when the applicant was actually below the poverty level. This did not affect eligibility in this case.

Criteria for Condition: Applications need to be completed accurately to ensure proper eligibility.

Cause of Condition: The system needed to be updated for one extra person that did not have all of the proper information on the application to be input into the software and the update was never performed and oversight.

Effect of Condition: Incorrect applications could improperly allow or exclude a student from Head Start. Only 35% of the head start population may be in the 100-130% range and this error could have lead to another student not being eligible to enter the program.

Recommendation of the Condition: We recommend that more care is taken to ensure that the information on the application is properly input into the software.

Management Response: Additional training will be provided to Head Start staff to emphasize the importance of obtaining and inputting data accurately.

2012-3 School Board Purchases

Statement of Condition: We noted members of the School Board will charge spousal travel expenses on the District credit card and later reimburse the charges when the spouse accompanies the Board members on out-of-town trips.

Criteria for Condition: The District's policy specifically states that spouse/family expenses are not to be charged to the District credit card even if later reimbursed to the District.

Cause of Condition: Unfamiliarity with District policy.

Effect of Condition: District policy is not being properly followed.

Recommendation of the Condition: We recommend the Board either adhere to the District policy or revise the policy to match current practices.

Management Response: The Board will review the current policy and make changes as necessary.

2012-4 Receipts Procedures

Statement of Condition: We noted that there are times when the Finance Director enters the receipts into the pre-numbered receipt book, completes the deposit, and takes the deposit to the bank causing a lack of segregation of duties.

Criteria for Condition: Proper segregation of duties needs to be in place for all parts of the cash receipts transaction cycle.

Cause of Condition: Due to department turnover there have been instances in which there is no one else available to assist in the cash receipts process.

Effect of Condition: Decrease in the controls due to lack of segregation of duties.

Recommendation of the Condition: We recommend that more care be taken to ensure that proper segregation of duties is present throughout all parts of the cash receipts transaction cycle at all times.

Management Response: This situation arose when the finance clerk responsible for opening mail and recording receipts resigned in the spring. It was exacerbated when the clerk position was not filled due to budget constraints. Job duties in the finance department have been reassigned to correct this issue.

2012-5 Activity Funds Recordkeeping

Statement of Condition: We noted the following instances of violation in the recordkeeping for the activity funds:

1. Proper Account Charges - We noted one expenditure at the Boyd County Career Tech Ed Center in which a charge for hotel rooms was paid out of the Floral Design and Soft Drinks accounts.
2. Negative Account Balance - We noted account number 135 Academic, for Summit Elementary, had a negative account balance at the end of the fiscal year.

Criteria for Condition: Accounts should only be used to make appropriate purchases or a proper transfer should be documented.

Cause of Condition: Oversight. In addition, the Redbook states that no accounts and end the year with a negative balance.

Effect of Condition: Disbursements may have been made out of the incorrect funds and noncompliance with the Redbook guidelines..

Recommendation of the Condition: We recommend that more care be taken when paying for expenditures to ensure that amounts are paid from the correct accounts and to ensure that no account ends the year with a negative balance.

Management Response: Principals and school bookkeeper will be reminded of the required Redbook procedures and provided training, if necessary.

Follow-up on Prior Year Recommendations

The prior year condition has been implemented and corrected. Mr. Howard K. Osborne, Superintendent, is the person responsible for initiation of the corrective action plan for the above condition which will be implemented immediately. The corrective action plan is the management response for each condition.