

Revised Audit

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**ASHLAND INDEPENDENT
SCHOOL DISTRICT**

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014**

TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Ashland Independent School District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Ashland Independent School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund and the Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis information on pages 5 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2014, on our consideration of Ashland Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Kelley Dallaway Smith Doolady, PSC

November 12, 2014

Ashland Independent School District - Ashland, KY
Managements Discussion and Analysis (MD&A)
Year Ended June 30, 2014

As management of the Ashland Independent 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, 2014. We encourage readers to consider the information presented here in conjunction within the body of the financial statements.

FINANCIAL HIGHLIGHTS

- The beginning cash balance for all funds of the District, excluding agency funds, was approximately \$2,457,165 and the ending balance was approximately \$11,799,296, an increase of \$9,342,131 for the year due to unspent construction funds.
- The General Fund had \$23,148,602 in revenue, which consisted primarily of the State program (SEEK), and property, utilities, and motor vehicle taxes. Excluding interfund transfers, there was \$22,960,853 in General Fund expenditures.
- Bonds are issued as the District renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations. The District's total debt increased by \$16,613,640 during the current fiscal year due to new construction projects.
- The majority of the District's General Fund revenues were derived from state sources (70%) and local taxes (28%). Regular instruction, student support services, instructional support services, and school administration accounts for 80% of the District's General Fund expenditures. Central support service expenditures were pupil transportation 3%, maintenance and operations 11% and business functions 2%, with central office support, facilities acquisitions, and fund transfers making up 4%.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt are also supported by taxes and intergovernmental revenues. The food service fund is a business-type activity. The government-wide financial statements can be found on pages 10 – 11 of this report. The District includes the financial statements of the Public School Corporation of Ashland Independent School District as a discretely presented component unit in the government-wide financial statements.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary fund is our vending and food service operations. All other activities of the District are included in the governmental funds. The basic fund financial statements can be found on pages 12 – 22 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 – 36 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve as a useful indicator of a government’s financial position. In the case of the District, assets exceeded liabilities by \$14,489,891 for Governmental Activities, and \$29,315 for Business Type Activities as of June 30, 2014.

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

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

Net position for the period ending June 30, 2014 as compared to June 30, 2013

	<u>June 30, 2014</u>	<u>June 30, 2013</u> (as restated)
Current Assets	\$ 13,365,823	\$ 3,771,237
Noncurrent Assets	<u>39,712,987</u>	<u>29,349,260</u>
Total Assets	<u>53,078,810</u>	<u>33,120,497</u>
Deferred Outflow	242,487	271,081
Current Liabilities	5,643,429	2,312,382

Noncurrent Liabilities	33,158,664	16,923,606
Total Liabilities	<u>38,802,093</u>	<u>19,235,988</u>
Net position		
Net investment in capital assets	5,967,222	12,372,116
Restricted	7,342,330	997,403
Unrestricted	1,209,652	786,071
Total Net position	<u>\$ 14,519,204</u>	<u>\$ 14,155,590</u>

The following table presents a summary of revenue and expense on a government-wide basis for the fiscal years ended June 30, 2014 and 2013, respectively.

	2014 <u>Amount</u>	2013 <u>Amount</u>
Revenues:		
Local Revenue Sources	\$ 7,887,306	\$ 7,662,517
State Revenue Sources	18,426,154	18,688,217
Direct Federal Sources	1,131,679	1,671,633
Indirect Federal Sources	3,668,297	4,323,430
Interest Income	36,183	10,665
Other Sources	806,493	543,285
Total revenues	<u>31,956,112</u>	<u>32,899,747</u>
Expenses:		
Instruction	16,995,454	16,362,802
Student Support Services	1,059,333	1,047,507
Instructional Support	3,975,588	4,947,306
District Administration	829,368	728,800
School Administration	1,259,260	1,279,246
Business Support	442,926	373,083
Plant Operations	3,338,851	3,415,111
Student Transportation	835,042	893,593
Community Services	238,555	242,643
Food Service Operations	1,938,065	2,012,477
Interest	680,056	1,494,929
Total expenses before KSBIT	<u>31,592,498</u>	<u>32,797,497</u>
Extraordinary item - KSBIT	-	280,618
Total expenses	<u>31,592,498</u>	<u>33,078,115</u>
Revenue over (under) expenses	<u>\$ 363,614</u>	<u>\$ (178,368)</u>

For the years ending June 30, 2014 and 2013 the revenues for the Component Unit were \$483,350 and \$475,965, respectively while the expenses were \$502,253 and \$449,152, respectively. Net position of the component unit was \$72,157 and \$109,060 at June 30, 2014 and 2013, respectively.

FUND FINANCIAL ANALYSIS

Comments on Budget Comparisons

- ❖ The General Fund budget compared to actual revenue varied slightly from line item to line item with ending actual revenue being \$308,038 or 1.7% more than budgeted.
- ❖ Actual General Fund expenditures (excluding transfers) compared to budget expenditures, net of contingency allotments, was \$354,035 or 1.8% less than budgeted.

The following table presents a summary of revenue and expenses, excluding transfers, for selected funds (including on-behalf payments):

For the year ending June 30, 2014

Revenues:	General Fund	Special Revenue	Capital & Debt Service	Food Service	Component Unit
Local sources	\$ 6,840,052	\$ 18,572	\$ 1,430,022	\$ 323,663	\$ 483,350
State sources	16,258,343	630,486	1,331,728	205,597	-
Federal sources	51,984	3,613,409	68,654	1,186,567	-
Other sources	-	-	18,023,440	-	-
Total revenues	<u>23,150,379</u>	<u>4,262,467</u>	<u>20,853,844</u>	<u>1,715,827</u>	<u>483,350</u>
Expenses:					
Instruction	15,124,294	1,295,076	-	-	520,253
Student support	912,084	28,921	-	-	-
Inst. support	1,186,299	2,744,373	-	-	-
District admin.	776,759	-	-	-	-
School admin.	1,226,816	-	-	-	-
Business support	436,484	-	-	-	-
Plant operations	2,503,981	-	-	-	-
Student transp.	754,952	-	-	-	-
Community support	-	238,555	-	-	-
Debt service	39,184	-	1,821,989	-	-
Building renovations	-	-	12,677,240	-	-
Food services	-	-	-	1,938,065	-
Total expenses	<u>22,960,853</u>	<u>4,306,925</u>	<u>14,499,229</u>	<u>1,938,065</u>	<u>520,253</u>
Revenue over (under)					
Expenses Excluding Transfers	\$ 189,526	\$ (44,458)	\$ 6,354,615	\$ (222,238)	\$ 36,903

For the year ending June 30, 2013

Revenues:	General Fund	Special Revenue	Capital & Debt Service	Food Service	Component Unit
Local sources	\$ 6,712,597	\$ 34,698	\$ 1,044,581	\$ 512,500	\$ 475,965
State sources	16,418,341	652,266	1,407,474	210,136	-
Federal sources	50,001	4,709,165	75,460	1,070,993	-
Other sources	-	-	-	-	-
Total revenues	<u>23,180,939</u>	<u>5,396,129</u>	<u>2,527,515</u>	<u>1,793,629</u>	<u>475,965</u>
Expenses:					
Instruction	15,266,798	1,520,606	-	-	449,152
Student support	890,377	34,568	-	-	-
Inst. support	1,253,762	3,643,479	-	-	-
District admin.	675,602	-	-	-	-
School admin.	1,240,633	-	-	-	-
Business support	358,237	-	-	-	-
Plant operations	2,602,097	-	-	-	-
Student transp.	809,080	-	-	-	-
Community support	-	242,643	-	-	-
Other instructional	-	-	-	-	-
Debt service	39,015	-	1,619,828	-	-
Building renovation	19,639	-	976,648	-	-
Food services	-	-	-	2,012,477	-
Total expenses	<u>23,155,240</u>	<u>5,441,296</u>	<u>2,596,476</u>	<u>2,012,477</u>	<u>449,152</u>
Revenue over (under)					
Expenses Excluding Transfers	\$ 25,699	\$ (45,167)	\$ (68,961)	\$ (218,848)	\$ 26,813

Capital Assets

At the end of June 30, 2014, the District's investment in capital assets for its governmental and business-type activities was \$39,712,987, representing an increase of \$10,363,727 net of depreciation, from the prior year. Construction in progress increased significantly due to major renovations at the middle school and Putnam Stadium ongoing during the fiscal year ended June 30, 2014.

Debt Service

At year-end, the District had approximately \$34.4 million in outstanding debt, compared to \$17.5 million last year. The District continues to maintain favorable debt ratings from Moody's and Standard & Poor's.

FUTURE BUDGETARY IMPLICATIONS

In Kentucky, the public schools 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 law, the budget must have a minimum 2% contingency. The District adopted a budget for 2014 - 2015 with \$1,064,908 or 5.1% in contingency. Significant Board action that impacts the finances includes mandated pay increases, and in depth examination of all expense categories, which would include staffing patterns, and any facility repairs outside of bonded building and renovation projects.

Questions regarding this report should be directed to Superintendent Stephen E. Gilmore or to Timothy P. Walters, Director of Business and Operations at 606-327-2706 or by mail at 1820 Hickman Street, P.O. Box 3000, Ashland, KY 41105.

ASHLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities	Business-Type Activities	Total	Component Unit
Assets				
Cash and cash equivalents	\$ 11,699,296	\$ 100,000	\$ 11,799,296	\$ 59,429
Receivables (net of allowances for uncollectibles):				
Property taxes	289,286	-	289,286	13,328
Other	105,196	-	105,196	-
Intergovernmental - state	920,878	-	920,878	-
Intergovernmental - federal	235,488	5,469	240,957	-
Inventories	-	10,210	10,210	-
Interfund receivable (payable)	296,961	(296,961)	-	-
Capital assets, not being depreciated	14,280,557	-	14,280,557	-
Capital assets, being depreciated, net	25,219,231	213,199	25,432,430	-
Total assets	<u>53,046,893</u>	<u>31,917</u>	<u>53,078,810</u>	<u>72,757</u>
Deferred Outflows of Resources				
Deferred savings from refunding bonds	242,487	-	242,487	-
Total assets	<u>242,487</u>	<u>-</u>	<u>242,487</u>	<u>-</u>
Liabilities				
Accounts payable	185,061	2,602	187,663	600
Contracts payable	2,417,650	-	2,417,650	-
Deferred revenue	234,051	-	234,051	-
Accrued salaries and benefits payable	735,377	-	735,377	-
Accrued interest payable	416,837	-	416,837	-
Portion due or payable within one year:				
Accrued sick leave	102,923	-	102,923	-
Debt obligations	1,548,928	-	1,548,928	-
Portion due or payable after one year:				
Accrued sick leave	836,190	-	836,190	-
Debt obligations	32,322,474	-	32,322,474	-
Total liabilities	<u>38,799,491</u>	<u>2,602</u>	<u>38,802,093</u>	<u>600</u>
Net Position				
Net investment in capital assets	5,754,023	213,199	5,967,222	-
Restricted for:				
Capital projects	7,396,300	-	7,396,300	-
Other purposes	129,914	(183,884)	(53,970)	-
Unrestricted	1,209,652	-	1,209,652	72,157
Total net position	<u>\$ 14,489,889</u>	<u>\$ 29,315</u>	<u>\$ 14,519,204</u>	<u>\$ 72,157</u>

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

ASHLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Primary government:								
Governmental activities:								
Instruction	\$ 16,995,454	\$ 19,687	\$ 1,276,504	\$ -	\$ (15,699,263)	\$ -	\$ (15,699,263)	\$ -
Support services:								
Students	1,059,333	-	28,921	-	(1,030,412)	-	(1,030,412)	-
Instructional staff	3,975,588	-	2,744,373	-	(1,231,215)	-	(1,231,215)	-
District administration	829,368	-	-	-	(829,368)	-	(829,368)	-
School administration	1,259,260	-	-	-	(1,259,260)	-	(1,259,260)	-
Business and other support services	442,926	-	-	-	(442,926)	-	(442,926)	-
Operation and maintenance of plant	3,338,851	-	-	-	(3,338,851)	-	(3,338,851)	-
Student transportation	835,042	-	-	-	(835,042)	-	(835,042)	-
Community services	238,555	-	238,555	-	-	-	-	-
Interest	680,056	-	-	1,315,680	635,624	-	635,624	-
Total governmental activities	<u>29,654,433</u>	<u>19,687</u>	<u>4,288,353</u>	<u>1,315,680</u>	<u>(24,030,713)</u>	<u>-</u>	<u>(24,030,713)</u>	<u>-</u>
Business-type activities:								
Food service	1,938,065	323,900	1,392,164	-	-	(222,001)	(222,001)	-
Total business-type activities	<u>1,938,065</u>	<u>323,900</u>	<u>1,392,164</u>	<u>-</u>	<u>-</u>	<u>(222,001)</u>	<u>(222,001)</u>	<u>-</u>
Total primary government	<u>\$ 31,592,498</u>	<u>\$ 343,587</u>	<u>\$ 5,680,517</u>	<u>\$ 1,315,680</u>	<u>\$ (24,030,713)</u>	<u>\$ (222,001)</u>	<u>\$ (24,252,714)</u>	<u>\$ -</u>
Component unit:								
Public School Corporation of Ashland								
Independent School District	\$ 520,253	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (520,253)
Total component unit	<u>\$ 520,253</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (520,253)</u>

General revenues:

Taxes:								
Property taxes, levied for general purposes	\$ 4,949,165	\$ -	\$ 4,949,165	\$ 432,725				
Motor vehicle	608,963	-	608,963	50,625				
Utilities	1,867,394	-	1,867,394	-				
Intergovernmental revenues:								
State	16,350,571	-	16,350,571	-				
Investment earnings	35,167	1,016	36,183	-				
Gain (Loss) on disposal of assets	(1,188)	(1,253)	(2,441)	-				
Other local revenues	806,493	-	806,493	-				
Transfer	(100,000)	100,000	-	-				
Total general revenues and transfers	<u>24,516,565</u>	<u>99,763</u>	<u>24,616,328</u>	<u>483,350</u>				
Change in net position					<u>485,852</u>	<u>(122,238)</u>	<u>363,614</u>	<u>(36,903)</u>
Net position, June 30, 2013, as restated					<u>14,004,037</u>	<u>151,553</u>	<u>14,155,590</u>	<u>109,060</u>
Net position, June 30, 2014					<u>\$ 14,489,889</u>	<u>\$ 29,315</u>	<u>\$ 14,519,204</u>	<u>\$ 72,157</u>

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

ASHLAND INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 1,755,432	\$ -	\$ 9,813,950	\$ 129,914	\$ 11,699,296
Receivables (net of allowances for uncollectibles):					
Taxes	289,286	-	-	-	289,286
Other	105,196	-	-	-	105,196
Interfund receivable	1,135,623	-	-	-	1,135,623
Intergovernmental - state	-	920,878	-	-	920,878
Intergovernmental - federal	-	235,488	-	-	235,488
Total assets	<u>\$ 3,285,537</u>	<u>\$ 1,156,366</u>	<u>\$ 9,813,950</u>	<u>\$ 129,914</u>	<u>\$ 14,385,767</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 101,408	\$ 83,653	\$ -	\$ -	\$ 185,061
Contracts payable	-	-	2,417,650	-	2,417,650
Interfund payable	-	838,662	-	-	838,662
Accrued salaries and benefits payable	735,377	-	-	-	735,377
Deferred revenue	-	234,051	-	-	234,051
Total liabilities	<u>836,785</u>	<u>1,156,366</u>	<u>2,417,650</u>	<u>-</u>	<u>4,410,801</u>
Fund balances:					
Restricted for accrued sick leave	102,923	-	-	-	102,923
Restricted for construction escrow	-	-	7,396,300	-	7,396,300
Restricted for debt service	-	-	-	129,914	129,914
Unassigned	2,345,829	-	-	-	2,345,829
Total fund balances	<u>2,448,752</u>	<u>-</u>	<u>7,396,300</u>	<u>129,914</u>	<u>9,974,966</u>
Total liabilities and fund balances	<u>\$ 3,285,537</u>	<u>\$ 1,156,366</u>	<u>\$ 9,813,950</u>	<u>\$ 129,914</u>	<u>\$ 14,385,767</u>

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

ASHLAND INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF
NET POSITION
JUNE 30, 2014

Fund balances—total governmental funds \$ 9,974,966

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 39,499,788

Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position. 242,487

Some liabilities, including bonds payable, capital leases, accrued sick leave, KSBIT payable, and accrued interest payable are not due and payable in the current period and therefore, are not reported in the funds. (35,227,352)

Net position of governmental activities \$ 14,489,889

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

ASHLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
From local sources:					
Taxes -					
Property	\$ 3,914,023	\$ -	\$ -	\$ 1,035,142	\$ 4,949,165
Motor vehicles	608,963	-	-	-	608,963
Utilities	1,867,394	-	-	-	1,867,394
Tuition and fees	19,687	-	-	-	19,687
Interest income	35,167	-	-	-	35,167
Other local revenues	393,041	18,572	394,880	-	806,493
Intergovernmental - State	16,258,343	630,486	16,048	1,315,680	18,220,557
Intergovernmental - Indirect federal	-	2,481,730	-	-	2,481,730
Intergovernmental - Direct federal	51,984	1,131,679	-	68,654	1,252,317
Total revenues	<u>23,148,602</u>	<u>4,262,467</u>	<u>410,928</u>	<u>2,419,476</u>	<u>30,241,473</u>
Expenditures:					
Current:					
Instruction	15,124,294	1,295,076	-	-	16,419,370
Support services:					
Students	912,084	28,921	-	-	941,005
Instructional staff	1,186,299	2,744,373	-	-	3,930,672
District administration	776,759	-	-	-	776,759
School administration	1,226,816	-	-	-	1,226,816
Business and other support services	436,484	-	-	-	436,484
Operation and maintenance of plant	2,503,981	-	-	-	2,503,981
Student transportation	754,952	-	-	-	754,952
Community services	-	238,555	-	-	238,555
Facilities acquisition and construction	-	-	12,677,240	-	12,677,240
Debt service	39,184	-	-	1,821,989	1,861,173
Total expenditures	<u>22,960,853</u>	<u>4,306,925</u>	<u>12,677,240</u>	<u>1,821,989</u>	<u>41,767,007</u>
Excess (deficiency) of revenues over expenditures	<u>187,749</u>	<u>(44,458)</u>	<u>(12,266,312)</u>	<u>597,487</u>	<u>(11,525,534)</u>
Other financing sources (uses):					
Bond proceeds	-	-	17,963,289	60,151	18,023,440
Gain on sale of equipment	1,777	-	-	-	1,777
Transfers in	-	44,458	1,654,458	1,365,147	3,064,063
Transfers out	(201,711)	-	-	(2,962,352)	(3,164,063)
Total other financing sources (uses)	<u>(199,934)</u>	<u>44,458</u>	<u>19,617,747</u>	<u>(1,537,054)</u>	<u>17,925,217</u>
Net change in fund balances	(12,185)	-	7,351,435	(939,567)	6,399,683
Fund balances, June 30, 2013	<u>2,460,937</u>	<u>-</u>	<u>44,865</u>	<u>1,069,481</u>	<u>3,575,283</u>
Fund balances, June 30, 2014	<u>\$ 2,448,752</u>	<u>\$ -</u>	<u>\$ 7,396,300</u>	<u>\$ 129,914</u>	<u>\$ 9,974,966</u>

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

**ASHLAND INDEPENDENT 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, 2014**

Net change in fund balances—total governmental funds \$ 6,399,683

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.

Loss on disposal of assets	(2,965)	
Capital outlay	12,081,682	
Depreciation expense	<u>(1,659,693)</u>	
		10,419,024

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:

Accrued sick leave	(201,790)
Additional bond issuance costs	(24,560)
Interest payable	(200,090)
Capitalized savings from refunding amortization expense	(28,594)

Bond proceeds receivable are reported in the governmental funds as financial resources to offset expenditures made prior to the issuance of debt. 711,259

Bond and capital lease proceeds are recognized as revenues of current financial resources in the fund financial statements but are increases in liabilities in the statement of net position. (17,704,961)

Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statements but are reductions of liabilities in the statement of net position. 1,115,881

Change in net position of governmental activities \$ 485,852

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

ASHLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2014

	<u>Food Service Fund</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 100,000
Accounts receivable	5,469
Inventories	10,210
Total current assets	<u>115,679</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>213,199</u>
Total noncurrent assets	<u>213,199</u>
Total assets	<u>328,878</u>
Liabilities	
Current liabilities:	
Accounts payable	2,602
Interfund payable	<u>296,961</u>
Total current liabilities	<u>299,563</u>
Total liabilities	<u>299,563</u>
Net Position	
Net investment in capital assets	213,199
Restricted	<u>(183,884)</u>
Total net position	<u>\$ 29,315</u>

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

ASHLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Food Service Fund</u>
Operating revenues:	
Lunchroom sales	\$ 323,900
Total operating revenues	<u>323,900</u>
Operating expenses:	
Salaries and wages	627,022
Employee benefits	353,143
Materials and supplies	853,176
Depreciation	54,044
Other operating expenses	50,680
Total operating expenses	<u>1,938,065</u>
Operating loss	<u>(1,614,165)</u>
Nonoperating revenues (expenses):	
Federal grants	1,113,040
Loss on disposal of assets	(1,253)
Investment income	1,016
Donated commodities	73,527
Transfer in	100,000
State grants	205,597
Total nonoperating revenue (expense)	<u>1,491,927</u>
Decrease in net position	(122,238)
Net position, June 30, 2013	<u>151,553</u>
Net position, June 30, 2014	<u><u>\$ 29,315</u></u>

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

**ASHLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Food Service Fund</u>
Cash flows from operating activities:	
Cash received from:	
Lunchroom sales	\$ 323,900
Cash paid to/for:	
Payments to suppliers and providers of goods and services	(621,438)
Payments to employees	(789,908)
Other payments	(50,680)
Net cash used for operating activities	<u>(1,138,126)</u>
Cash flows from noncapital financing activities:	
Government grants	1,137,110
Transfers from other funds	100,000
Net cash provided by noncapital and related financing activities	<u>1,237,110</u>
Cash flows from capital and related financing activities:	
Purchases of capital assets	-
Net cash used for capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest received on investments	1,016
Net cash provided by investing activities	<u>1,016</u>
Net increase in cash and cash equivalents	100,000
Cash and cash equivalents, June 30, 2013	<u>-</u>
Cash and cash equivalents, June 30, 2014	<u>\$ 100,000</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (1,614,165)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	54,044
Donated commodities	73,527
On-behalf payments	190,257
Change in assets and liabilities:	
Inventory	3,344
Accounts payable	(538)
Interfund payable	155,405
Net cash used for operating activities	<u>\$ (1,138,126)</u>
Non-cash items:	
Donated commodities	\$ 73,527
On-behalf payments	190,257

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

**ASHLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014**

	Trust Funds	Activity Funds
Assets		
Cash and cash equivalents	\$ 7,614	\$ 408,139
Accounts receivable	10	4,098
Total assets	7,624	412,237
Liabilities		
Accounts payable	-	-
Due to students	-	412,237
Total liabilities	-	412,237
Net position held in trust	\$ 7,624	\$ -

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

**ASHLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Trust Funds</u>
Additions -	
Investment income	\$ -
Deductions -	
Benefits paid	<u>-</u>
Decrease in net position	-
Net position, June 30, 2013	<u>7,624</u>
Net position, June 30, 2014	<u><u>\$ 7,624</u></u>

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

ASHLAND INDEPENDENT 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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes -				
Property	\$ 3,775,000	\$ 3,828,000	\$ 3,914,023	\$ 86,023
Motor vehicles	550,000	550,000	608,963	58,963
Utilities	1,600,000	1,500,000	1,867,394	367,394
Tuition and fees	25,000	30,000	19,687	(10,313)
Interest income	8,200	10,000	35,167	25,167
Other local revenues	352,309	440,018	393,041	(46,977)
Intergovernmental - State	11,919,364	11,919,364	11,745,162	(174,202)
Intergovernmental - Direct federal	50,001	50,001	51,984	1,983
Total revenues	<u>18,279,874</u>	<u>18,327,383</u>	<u>18,635,421</u>	<u>308,038</u>
Expenditures:				
Current:				
Instruction	11,861,930	11,911,799	11,818,756	93,043
Support services:				
Students	701,484	701,484	714,292	(12,808)
Instructional staff	887,734	887,734	896,781	(9,047)
District administration	1,033,985	1,033,900	724,124	309,776
School administration	919,286	909,686	962,792	(53,106)
Business and other support services	293,926	293,926	367,901	(73,975)
Operation and maintenance of plant	2,335,287	2,343,356	2,272,085	71,271
Student transportation	680,637	680,637	651,757	28,880
Facilities acquisition and construction	-	-	-	0
Debt Service	39,185	39,185	39,184	1,000
Contingency	1,081,253	1,081,253	-	1,081,253
Total expenditures	<u>19,834,707</u>	<u>19,882,960</u>	<u>18,447,672</u>	<u>1,435,288</u>
Excess (deficiency) of revenues over expenditures	<u>(1,554,833)</u>	<u>(1,555,577)</u>	<u>187,749</u>	<u>1,743,326</u>
Other financing sources (uses):				
Gain on sale of equipment	-	-	1,777	1,777
Transfers out	(45,167)	(195,167)	(201,711)	(6,544)
Total other financing sources (uses)	<u>(45,167)</u>	<u>(195,167)</u>	<u>(199,934)</u>	<u>(4,767)</u>
Net change in fund balances	<u>(1,600,000)</u>	<u>(1,750,744)</u>	<u>(12,185)</u>	<u>1,738,559</u>
Fund balances, June 30, 2013	<u>1,600,000</u>	<u>1,750,744</u>	<u>2,460,937</u>	<u>710,193</u>
Fund balances, June 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,448,752</u>	<u>\$ 2,448,752</u>
Adjustments to Generally Accepted Accounting Principles -				
Intergovernmental State Revenue			4,513,181	
On-behalf payments:				
Instruction			(3,305,538)	
Support services:				
Students			(197,792)	
Instructional staff support			(289,518)	
General administration			(52,635)	
School administration			(264,024)	
Business and other support services			(68,583)	
Operation and maintenance of plant			(231,896)	
Student transportation			(103,195)	
Fund balance, June 30, 2014 (GAAP basis)			<u>\$ 2,448,752</u>	

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

ASHLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Interest income	\$ -	\$ -	\$ -	\$ -
Other local revenues	7,391	9,498	18,572	9,074
Intergovernmental - State	604,971	604,892	630,486	25,594
Intergovernmental - Indirect federal	2,569,646	2,714,533	2,481,730	(232,803)
Intergovernmental - Direct federal	1,169,502	1,154,402	1,131,679	(22,723)
Total revenues	<u>4,351,510</u>	<u>4,483,325</u>	<u>4,262,467</u>	<u>(220,858)</u>
Expenditures:				
Current:				
Instruction	1,277,313	1,378,006	1,295,076	82,930
Support services:				
Students	80,950	81,000	28,921	52,079
Instructional staff	2,805,305	2,834,817	2,744,373	90,444
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Community services	233,109	233,960	238,555	(4,595)
Operation of non-instructional services	-	-	-	-
Total expenditures	<u>4,396,677</u>	<u>4,527,783</u>	<u>4,306,925</u>	<u>220,858</u>
Excess (deficiency) of revenues over expenditures	<u>(45,167)</u>	<u>(44,458)</u>	<u>(44,458)</u>	<u>-</u>
Other financing sources (uses):				
Transfers in	45,167	44,458	44,458	-
Total other financing sources (uses)	<u>45,167</u>	<u>44,458</u>	<u>44,458</u>	<u>-</u>
Net change in fund balances	-	-	-	-
Fund balances, June 30, 2013	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, June 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**ASHLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

(1) REPORTING ENTITY

The Ashland Independent 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 Ashland Independent School District (the "District"). The District receives funding from local, state and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the 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 purposes, includes all of the funds and account groups relevant to the operation of the Ashland Independent School District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the 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 organizations are included in the accompanying financial statements. Copies of component unit reports may be obtained from the District's Finance Office at 1820 Hickman Street, Ashland, Kentucky 41101.

Blended Component Unit:

Ashland Independent School District Finance Corporation

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

Discretely Presented Component Unit:

Public School Corporation of Ashland Independent School District

The Board formed this component unit as a nonstock, non-profit corporation to be its agency and instrumentality. Its purpose in this capacity is to finance the acquisition of properties for public school, junior college or community college uses and in furtherance of public purposes and functions of the Board.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Ashland Independent School District substantially comply with generally accepted accounting principles and 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 position and a statement of activities. These statements report the financial activities of the overall government, except for fiduciary activities. They also distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

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

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities and segment of its business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses to programs or functions. 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 total net position. The proprietary fund 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.

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. 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 Fund (Enterprise Fund)

The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). The Food Service Fund is a major fund of the District.

III. Fiduciary Fund Type (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 Trust Funds represent scholarship funds and are accounted for as expendable trust funds on the modified accrual basis.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. 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 it 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 position as an expense with a like amount reported as donated commodities revenue.

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

Cash and Cash Equivalents

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

Inventories

Supplies and materials are charged to expenditures when purchased, with the exception of the Proprietary Fund, which records inventory at cost, on the first-in, first-out basis, using the accrual method of accounting.

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five thousand dollars 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 are depreciated with the exception of land. 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
Infrastructure	20 years
Technology equipment	5 years
Vehicles	5-10 years
Food service equipment	5-12 years
Other general	7-10 years

Property Taxes

Property taxes collected are recorded as revenues in the fund for which they were levied. The District's ad valorem tax is levied prior to June 30, of each year 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 2014 fiscal year was based was \$1,035,141,500.

The tax rates assessed for the year ended June 30, 2014 to finance general fund operations were \$.627 on real estate, \$.627 on personal property, and \$.514 on motor vehicles per \$100 valuation. These rates include \$.05 per \$100 valuation for Junior College Tax.

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, 2014 were approximately 95.2% of the tax levy.

In-Kind

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

Interfund Balances

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

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 the proprietary fund 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 Position

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. 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 the proprietary fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Bond Issuance Costs

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

Estimates

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

New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued GASB No. 65, *Items Previously Reported as Assets and Liabilities* which clarifies the use of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. This statement requires certain items which were previously reported as assets and liabilities to be reported as deferred outflows of resources, deferred inflow of resources and as revenues and expenses. The District adopted GASB 65 for the year ended June 30, 2014. See Note 14.

The Governmental Accounting Standards Board (GASB) issued GASB No. 68, *Accounting and Financial Reporting for Pensions*, which changes the way pensions are reported on the financial statements of employers. Employers participating in a multi-employer cost-sharing plan will be required to report net pension liability on the entity-wide statements for their proportionate share of the liability. Districts will be required to record net pension liability for their share off the liability associated with employees participating in County Employees Retirement System (CERS) as well as any district-sponsored pension plans. There will be little to no impact on the balance sheets of the governmental funds. Additional note disclosures and required supplementary information (RSI) are also addressed in the Standard. Kentucky Department of Education will be working with KTRS and Kentucky Retirement Systems in the months ahead to provide guidance for the implementation issues facing school districts. The Standard is effective for fiscal year ending June 30, 2015.

(3) DEBT OBLIGATIONS

The amount shown in the accompanying financial statements as debt obligations represents the District's future obligations to make lease payments relating to bonds issued in the original amount of \$42,273,000.

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 Board 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 date, and interest rates are summarized below:

<u>Issue Date</u>	<u>Original Amount</u>	<u>Interest Rates</u>
Issue of 1-1-04	\$ 4,810,000	2.00% to 4.25%
Issue of 7-1-06	9,080,000	3.60% to 4.20%
Issue of 2-1-09	1,890,000	2.10% to 3.40%
Issue of 8-1-09	4,070,000	1.80% to 6.20%
Issue of 7-19-11	720,000	3.75%
Issue of 6-1-12	3,655,000	1.00% to 2.30%
Issue of 8-1-13	11,300,000	3.00 to 4.50%
Issue of 9-1-13	4,043,000	1.29%
Issue of 11-1-13	2,705,000	2.00% to 4.125%
	<u>\$ 42,273,000</u>	

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

KSBIT Payable

The Kentucky School Boards Insurance Trust ("KSBIT") notified the District during the fiscal year 2013 that their self-insurance pools for worker's compensation and liability insurance were underfunded. As a result, an assessment will be required under a fair methodology to be approved by the Kentucky Department of Insurance, of current and past participating members to fund the deficit and the transfer of liability to a qualified insurer/reinsurer. On May 13, 2014, the court approved the plan of assessment tendered by KSBIT and approved the Loss Portfolio Transfer to Kentucky Employers Mutual Insurance ("KEMI"). As a result the District's portion of the liability was estimated at \$116,850. The District took the option of paying 25% down by August 31, 2014 and financing the remaining balance over 6 years to be paid in equal annual installments beginning August 31, 2015 with no interest.

A summary of long-term debt and other long-term liabilities is as follows:

Description	Balance at June 30, 2013	Additions	Payments	Balance at June 30, 2014
General obligation bonds - \$42,273,000 originally issued with interest rates ranging from 1.00% to 6.20%	\$ 17,070,000	\$18,048,000	\$ 970,000	\$ 34,148,000
KISTA	103,819	-	14,376	89,443
KSBIT Payable	280,618	-	163,768	116,850
Accumulated unpaid sick leave	737,323	201,790	-	939,113
Less: Discounts on bonds	(196,675)	(318,479)	(32,263)	(482,891)
	<u>\$ 17,995,085</u>	<u>\$17,931,311</u>	<u>\$1,115,881</u>	<u>\$ 34,810,515</u>

On August 1, 2009, the Ashland Independent School District issued \$4,070,000 in Build America Bonds with an interest rate ranging from 1.80% to 6.20%. The Build America Bonds are tax-advantaged bonds issued as described in section 54AA(g) of the Internal Revenue Code. Issuers of the bonds may receive a refundable credit payment equal to a percentage of the interest payable on such bonds on each interest payment date. The tax-advantaged status of the bonds remains throughout the life of the bonds if all applicable federal tax laws are satisfied while the bonds are outstanding. Various requirements apply under the Internal Revenue Code and Income Tax Regulations including information filing and other requirements related to issuance, the proper and timely use of bond-financed property, and arbitrage yield restriction and rebate requirements.

In connection with the bond issues, the District entered into participation agreements with the Kentucky School Facilities Construction Commission (KSFCC), 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 agreements are in effect for a period of two years each. The obligations of the Commission to make said payments shall automatically renew every two years, unless the Commission provides the District notice of its intention not to participate within sixty days prior to the expiration of the two year period.

Assuming no bonds are called prior to scheduled maturity and the KSFCC continues to renew its participation to provide annual principal and interest amounts, the minimum obligations of the Funds at June 30, 2014 for debt service (principal and interest) are as follows:

June 30,	Kentucky School Facilities Construction Commission's Portion		District's Portion		Total
	Interest	Principal	Interest	Principal	
2015	\$ 252,359	\$ 347,213	\$ 914,979	\$ 1,201,715	\$ 2,716,266
2016	231,935	371,514	853,059	1,228,146	2,684,654
2017	221,863	410,908	821,554	1,254,159	2,708,484
2018	210,472	427,166	787,818	1,283,376	2,708,832
2019	198,514	444,186	752,739	1,319,321	2,714,760
2020-2024	822,133	1,929,285	3,178,089	7,014,697	12,944,204
2025-2029	504,627	1,586,576	1,953,107	7,553,031	11,597,341
2030-2034	169,886	1,614,925	679,946	6,368,075	8,832,832
	<u>\$ 2,611,789</u>	<u>\$ 7,131,773</u>	<u>\$ 9,941,291</u>	<u>\$ 27,222,520</u>	<u>\$ 46,907,373</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, 2014, this amount totaled \$939,113. The District follows a policy of funding up to one-half of the total amount accrued as a reservation of the General Fund balance.

(5) RETIREMENT PLANS

Kentucky Retirement System

The Boyd County 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. Effective July 1, 2013, members are required to contribute 11.355% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 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. Effective July 1, 2013, for members whose salaries are federally funded, the District contributes 14.605% of salaries.

The District's total payroll for the year was \$14,992,669. The payroll for employees covered under KTRS was \$13,021,597. For the years ended June 30, 2014, 2013, and 2012, the Commonwealth of Kentucky contributed \$1,593,250, \$1,842,318, and \$1,637,520, respectively, to KTRS for the benefit of the District's participating employees. The District's contributions to KTRS for the years ending June 30, 2014, 2013, and 2012 were \$144,647, \$163,332, and \$180,612, respectively, which represents those employees covered by Federal programs.

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, active member contributions are matched by the state at 0.75% of members' gross salaries. Member contributions are 2.25% of salary. Also, premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan. Additionally, the District pays 1.0% of member's salary.

County Employees Retirement System

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

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

Funding for CERS is provided by members who contribute 5% of their salary through payroll deductions and by employers of members who contribute 18.89% of the member's salary. Plan members hired after July 1, 2008 contribute an additional 1% towards health insurance. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees. The District's contributions to CERS for the years ending June 30, 2014, 2013, and 2012 were \$845,080, \$909,061, and \$858,783, 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, 2014, the carrying amount of the Board's cash and cash equivalents was \$12,274,478 and the related bank balances totaled \$12,818,623. Of these total bank balances, \$774,957 was insured by the Bank Insurance Fund and \$12,043,666 was secured by collateral held by the pledging bank in the District's name.

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, Special Revenue (Grant Funds), Debt Service Fund, School Construction Fund, School Food Service Funds, and School Activity Funds.

(7) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

<u>Governmental Activities</u>	<u>June 30, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2014</u>
Land and land improvements	\$ 1,688,116	\$ -	\$ -	\$ 1,688,116
Buildings and improvements	69,386,149	270,509	-	69,656,658
Technology equipment	3,557,588	-	62,827	3,494,761
Vehicles	1,658,994	-	-	1,658,994
General	1,565,170	-	17,390	1,547,780
Infrastructure	31,290	-	-	31,290
Construction-in-progress	781,268	12,081,682	270,509	12,592,441
Totals at historical cost	<u>78,668,575</u>	<u>12,352,191</u>	<u>350,726</u>	<u>90,670,040</u>

Less: accumulated depreciation -				
Buildings and improvements	(44,023,371)	(1,302,105)	-	(45,325,476)
Technology equipment	(2,826,113)	(259,129)	(61,671)	(3,023,571)
Vehicles	(1,501,839)	(49,784)	-	(1,551,623)
General	(1,226,471)	(47,111)	(15,581)	(1,258,001)
Infrastructure	(10,017)	(1,564)	-	(11,581)
Total accumulated depreciation	<u>(49,587,811)</u>	<u>(1,659,693)</u>	<u>(77,252)</u>	<u>(51,170,252)</u>

Governmental Activities				
Capital Assets - Net	<u>\$ 29,080,764</u>	<u>\$ 10,692,498</u>	<u>\$ 273,474</u>	<u>\$ 39,499,788</u>

Business-Type Activities				
Food service equipment	<u>\$ 1,211,081</u>	<u>\$ -</u>	<u>\$ 23,363</u>	<u>\$ 1,187,718</u>
Totals at historical cost	<u>1,211,081</u>	<u>-</u>	<u>23,363</u>	<u>1,187,718</u>

Less: accumulated depreciation				
Food service equipment	<u>(942,585)</u>	<u>(54,044)</u>	<u>(22,110)</u>	<u>(974,519)</u>
Total accumulated depreciation	<u>(942,585)</u>	<u>(55,044)</u>	<u>(22,110)</u>	<u>(974,519)</u>

Business-Type Activities				
Capital Assets - Net	<u>\$ 268,496</u>	<u>\$ (54,044)</u>	<u>\$ 1,253</u>	<u>\$ 213,199</u>

Depreciation expense was allocated to governmental functions as follows:

Instruction	\$ 489,995
Student support services	118,328
Instructional staff support	44,916
District administration	52,609
School administration	32,444
Business support services	6,441
Plant operation & maintenance	834,870
Student transportation	80,090
	<u>\$ 1,659,693</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 in the General Fund as lease payments are made. Total rent expenditures under operating type leases were approximately \$9,350.

(9) CONTINGENCIES

The District has outstanding construction commitments of approximately \$7,302,206 for the expansion project at Verity Middle School and the remodeling at Putnam Stadium.

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.

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

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

(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 2014, the Commonwealth of Kentucky contributed estimated payments on behalf of the Ashland Independent School District as follows:

<u>Plan/Description</u>	<u>Amount</u>
Kentucky Teachers Retirement System	\$ 1,593,250
Health & Life Insurance Plan	2,866,243
Technology	69,083
Debt Service	417,202

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>
Operating	General	Special Revenue	Technology Match	\$ 44,458
Operating	General	Food Service	Operating	100,000
Operating	General	Construction	Construction	5,811
Operating	Building Fund	Construction	Construction	1,126,311
Operating	Capital Outlay	Construction	Construction	522,336

Debt Service	Building Fund	Debt Service	Debt Service	1,313,705
Debt Service	General	Debt Service	Debt Service	51,442

(14) CHANGES IN BEGINNING NET POSITION

Governmental Accounting Standards Board No. 65 required changes to the beginning balances of the Statement of Net Position. Beginning net position of the governmental activities was increased \$271,081 to capitalize the deferred savings from refunding bonds issued prior to the 2013-14 fiscal year. Beginning net position of the governmental activities was decreased \$247,625 to expense bond issuance costs capitalized prior to the 2013-14 fiscal year. In addition, the beginning net position for the governmental activities was increased \$196,675 to capitalize the discounts. The net effect of these changes is an addition of \$220,131 to the beginning net position.

SUPPLEMENTAL INFORMATION

ASHLAND INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

	Non-Major Capital Project Funds	Debt Service Funds	Total Non-Major Governmental Funds
ASSETS:			
Cash and cash equivalents	\$ -	\$ 129,914	\$ 129,914
Accounts receivable	-	-	-
Total assets	\$ -	\$ 129,914	\$ 129,914
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Total liabilities	-	-	-
Fund Balances:			
Restricted for SFCC escrow	-	-	-
Restricted for debt service	-	129,914	129,914
Total fund balance	-	129,914	129,914
Total liabilities and fund balances	\$ -	\$ 129,914	\$ 129,914

**ASHLAND INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2014**

	Non-Major Capital Project Funds	Debt Service Funds	Total Non-Major Governmental Funds
REVENUES:			
From local sources -			
Property taxes	\$ 1,035,142	\$ -	\$ 1,035,142
Earnings on investments	-	-	-
Intergovernmental - Direct Federal subsidy	-	68,654	68,654
Intergovernmental - State	898,478	417,202	1,315,680
Total revenues	<u>1,933,620</u>	<u>485,856</u>	<u>2,419,476</u>
EXPENDITURES:			
Current -			
Debt service	-	1,821,989	1,821,989
Total expenditures	<u>-</u>	<u>1,821,989</u>	<u>1,821,989</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,933,620</u>	<u>(1,336,133)</u>	<u>597,487</u>
OTHER FINANCING SOURCES (USES):			
Bond proceeds	-	60,151	60,151
Operating transfers in	-	1,365,147	1,365,147
Operating transfers out	<u>(2,962,352)</u>	<u>-</u>	<u>(2,962,352)</u>
Total other financing sources (uses)	<u>(2,962,352)</u>	<u>1,425,298</u>	<u>(1,537,054)</u>
NET CHANGE IN FUND BALANCE	<u>(1,028,732)</u>	<u>89,165</u>	<u>(939,567)</u>
FUND BALANCE JUNE 30, 2013	<u>1,028,732</u>	<u>40,749</u>	<u>1,069,481</u>
FUND BALANCE JUNE 30, 2014	<u>\$ -</u>	<u>\$ 129,914</u>	<u>\$ 129,914</u>

**ASHLAND INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NON-MAJOR CAPITAL PROJECT FUNDS
 JUNE 30, 2014**

	SEEK Fund	FSPK Fund	Total Non-Major Capital Project Funds
ASSETS:			
Cash and cash equivalents	\$ -	\$ -	\$ -
Accounts receivable	-	-	-
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Restricted for SFCC escrow	-	-	-
Total fund balance	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**ASHLAND INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NON-MAJOR CAPITAL PROJECT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2014**

	SEEK Fund	FSPK Fund	Total Non-major Capital Project Funds
REVENUES:			
From local sources -			
Property taxes	\$ -	\$ 1,035,142	\$ 1,035,142
Intergovernmental - State	279,402	619,076	898,478
Interest income	-	-	-
Total revenues	<u>279,402</u>	<u>1,654,218</u>	<u>1,933,620</u>
EXPENDITURES:			
Current -			
Facilities acquisition and construction	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>279,402</u>	<u>1,654,218</u>	<u>1,933,620</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers out	(522,336)	(2,440,016)	(2,962,352)
Total other financing sources (uses)	<u>(522,336)</u>	<u>(2,440,016)</u>	<u>(2,962,352)</u>
NET CHANGE IN FUND BALANCE	(242,934)	(785,798)	(1,028,732)
FUND BALANCE JUNE 30, 2013	<u>242,934</u>	<u>785,798</u>	<u>1,028,732</u>
FUND BALANCE JUNE 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**ASHLAND INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
JUNE 30, 2014**

	8/1/2009 Bond Fund	2/1/2009 Bond Fund	1/1/2006 Bond Fund	1/1/2004 Bond Fund	6/1/2011 Bond Fund	6/1/2012 Bond Fund	9/1/2013 QZAB Bond Fund	8/1/13 Bond Fund	Totals Debt Service Funds
ASSETS:									
Cash and cash equivalents	\$ 128,651	\$ -	\$ -	\$ 1	\$ -	\$ 1,262	\$ -	\$ -	\$ 129,914
Accounts receivable	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 128,651</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 1,262</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 129,914</u>
LIABILITIES AND FUND BALANCE:									
Liabilities:									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>						
Fund Balances:									
Restricted for debt service	128,651	-	-	1	-	1,262	-	-	129,914
Total fund balance	<u>128,651</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>1,262</u>	<u>-</u>	<u>-</u>	<u>129,914</u>
Total liabilities and fund balances	<u>\$ 128,651</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 1,262</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 129,914</u>

ASHLAND INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 DEBT SERVICE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2014

	8/1/2009 Bond Fund	2/1/2009 Bond Fund	1/1/2006 Bond Fund	1/1/2004 Bond Fund	6/1/2011 Bond Fund	6/1/2012 Bond Fund	9/1/13 QZAB Bond Fund	8/1/13 Bond Fund	Totals Debt Service Funds
REVENUES:									
Intergovernmental - State	\$ 41,575	\$ 109,072	\$ 57,748	\$ 93,714	\$ 50,125	\$ 43,805	\$ -	\$ 21,163	\$ 417,202
Intergovernmental - Direct Federal	68,654	-	-	-	-	-	-	-	68,654
Interest income	-	-	-	-	-	-	-	-	-
Total revenues	<u>110,229</u>	<u>109,072</u>	<u>57,748</u>	<u>93,714</u>	<u>50,125</u>	<u>43,805</u>	<u>-</u>	<u>21,163</u>	<u>485,856</u>
EXPENDITURES:									
Debt service	261,018	259,936	649,483	249,165	50,125	109,600	21,731	220,931	1,821,989
Total expenditures	<u>261,018</u>	<u>259,936</u>	<u>649,483</u>	<u>249,165</u>	<u>50,125</u>	<u>109,600</u>	<u>21,731</u>	<u>220,931</u>	<u>1,821,989</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(150,789)</u>	<u>(150,864)</u>	<u>(591,735)</u>	<u>(155,451)</u>	<u>-</u>	<u>(65,795)</u>	<u>(21,731)</u>	<u>(199,768)</u>	<u>(1,336,133)</u>
OTHER FINANCING SOURCES (USES):									
Bond proceeds	-	-	-	-	-	-	2,463	57,688	60,151
Operating transfers in	241,934	150,864	589,704	154,386	-	66,911	19,268	142,080	1,365,147
Total other financing sources (uses)	<u>241,934</u>	<u>150,864</u>	<u>589,704</u>	<u>154,386</u>	<u>-</u>	<u>66,911</u>	<u>21,731</u>	<u>199,768</u>	<u>1,425,298</u>
NET CHANGE IN FUND BALANCE	91,145	-	(2,031)	(1,065)	-	1,116	-	-	89,165
FUND BALANCE JUNE 30, 2013	<u>37,506</u>	<u>-</u>	<u>2,031</u>	<u>1,066</u>	<u>-</u>	<u>146</u>	<u>-</u>	<u>-</u>	<u>40,749</u>
FUND BALANCE JUNE 30, 2014	<u>\$ 128,651</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 1,262</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 129,914</u>

ASHLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
SCHOOL ACTIVITY FUNDS
PAUL BLAZER HIGH SCHOOL
FOR THE YEAR ENDED JUNE 30, 2014

	Cash Balance June 30, 2013	Receipts	Disburse- ments	Cash Balance June 30, 2014	Accounts Payable	Deposits Held in Custody for Students June 30, 2014
Academic Quiz	\$ 39	\$ -	\$ -	\$ 39	\$ -	\$ 39
Advanced Placement	3,171	13,941	13,051	4,061	-	4,061
Art Club	780	532	523	789	-	789
Art Supplies	133	790	527	396	-	396
Beta Club	4,308	1,085	1,174	4,219	-	4,219
Blazer Band	4,972	5,946	9,667	1,251	-	1,251
Blazer Choir	3,608	30,445	30,465	3,588	-	3,588
Catering	3,687	4,068	6,714	1,041	-	1,041
Chemistry Club	20	-	-	20	-	20
Class of 2012	356	-	356	-	-	-
Class of 2013	380	-	380	-	-	-
Class of 2014	5,421	5,866	11,267	20	-	20
Class of 2015	1,557	11,959	9,048	4,468	-	4,468
Class of 2016	1,570	1,652	1,215	2,007	-	2,007
Class of 2017	-	272	-	272	-	272
Creative Writing	903	-	903	-	-	-
Dance Team	34	300	246	88	-	88
Environmental Club	1,998	1,252	1,623	1,627	-	1,627
FBLA	984	13,932	13,775	1,141	-	1,141
FCA	272	190	267	195	-	195
FCCLA	449	7,699	7,983	165	-	165
Flower Fund	2	168	123	47	-	47
French Club	1	581	407	175	-	175
French Honor Society	3	350	351	2	-	2
General	2,630	10,128	6,540	6,218	-	6,218
Guidance	842	1,488	1,274	1,056	-	1,056
Hi Life	15,073	6,251	16,533	4,791	-	4,791
Hieneman Grant	-	500	500	-	-	-
Home Ec.	188	550	355	383	-	383
Human Relations Club	772	-	-	772	-	772
Ind. Tech. Supplies	120	1,275	1,140	255	-	255
Key Club	1,478	3,189	3,575	1,092	-	1,092
Latin Club	367	587	774	180	-	180
Latin Honorary	697	926	1,434	189	-	189
Library	264	381	443	202	-	202

ASHLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
SCHOOL ACTIVITY FUNDS
PAUL BLAZER HIGH SCHOOL - (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2014

	Cash Balance June 30, 2013	Receipts	Disburse- ments	Cash Balance June 30, 2014	Accounts Payable	Deposits Held in Custody for Students June 30, 2014
Mu Alpha Theta	126	153	160	119	-	119
National Honor Society	1,031	1,770	2,412	389	-	389
Rental Fee Paid	17,211	19,575	6,134	30,652	-	30,652
ROTC	1,127	5,467	5,904	690	-	690
Spade Art	306	625	555	376	-	376
Science Club	371	-	-	371	-	371
Science Donation	-	500	500	-	-	-
Spanish Club	439	90	-	529	-	529
Spanish Honor Society	919	765	871	813	-	813
Sports Medicine Club	217	201	90	328	-	328
STLP	61	-	61	-	-	-
State Textbook	7,444	1,038	163	8,319	-	8,319
Strings	3,063	3,050	2,300	3,813	-	3,813
Student Council	2,981	6,145	2,244	6,882	-	6,882
Teacher Pop Machines	228	478	432	274	-	274
Theater Arts	3,286	921	1,758	2,449	-	2,449
Transcript Fund	1,114	195	244	1,065	-	1,065
TSA	2,263	949	3,169	43	-	43
Video Club	1,061	-	-	1,061	-	1,061
	<u>\$ 100,327</u>	<u>\$ 168,225</u>	<u>\$ 169,630</u>	<u>\$ 98,922</u>	<u>\$ -</u>	<u>\$ 98,922</u>

ASHLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ATHLETIC FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Cash Balance June 30, 2013	Receipts	Disbursements	Cash Balance June 30, 2014	Accounts Payable	Deposits Held in Custody for Students June 30, 2014
A.K.I.T.	\$ 3,949	\$ 2,055	\$ 2,297	\$ 3,707	\$ -	\$ 3,707
Ashland Inv. Tournament	5,841	13,169	11,666	7,344	-	7,344
Athletic - General	14,693	196,402	193,712	17,383	-	17,383
Baseball Fundraiser	1,951	16,169	16,679	1,441	-	1,441
Blazing Arrows	733	2,052	1,884	901	-	901
Boys Golf	1,612	4,591	4,678	1,525	-	1,525
Boys Tennis Fundraiser	1,705	1,500	2,682	523	-	523
Boys Track Fund	198	1,627	1,421	404	-	404
Cross Country Fund	803	1,539	1,901	441	-	441
Field Turf Fund	50,000	-	50,000	-	-	-
Girls Golf Fund	10,122	3,750	6,026	7,846	-	7,846
Girls Soccer Fund	21,490	-	1,570	19,920	-	19,920
Girls Tennis Fund	170	1,087	1,227	30	-	30
Girls Track Fund	102	-	100	2	-	2
Girls Varsity B.B. Fund	71	465	313	223	-	223
Softball Fundraiser	351	99	450	-	-	-
Swim Team Fund	197	110	-	307	-	307
Varsity B.B. Fundraiser	1,942	8,350	8,779	1,513	-	1,513
Varsity Cheer Fund	6,420	13,181	18,234	1,367	-	1,367
Varsity F.B. Fundraiser	16,334	28,603	20,782	24,155	-	24,155
Volleyball Fund	5,302	10,606	15,864	44	-	44
Wrestling Fund	2,356	-	200	2,156	-	2,156
	<u>\$ 146,342</u>	<u>\$ 305,355</u>	<u>\$ 360,465</u>	<u>\$ 91,232</u>	<u>\$ -</u>	<u>\$ 91,232</u>

ASHLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Cash Balance			Cash Balance	Accounts	Deposits
	June 30, 2013	Receipts	Disbursements	June 30, 2014	Receivable	Held in Custody for Students June 30, 2014
Paul G. Blazer High School	\$ 100,327	\$ 168,225	\$ 169,630	\$ 98,922	\$ -	\$ 98,922
George M. Verity Middle School	84,199	168,468	156,789	95,878	-	95,878
Charles Russell Elementary School	16,158	35,118	35,615	15,661	-	15,661
Crabbe Elementary School	15,262	31,181	29,400	17,043	4,098	21,141
Hager Elementary School	18,954	51,804	54,030	16,728	-	16,728
Hatcher Elementary School	1,842	-	1,842	-	-	-
Oakview Elementary School	16,986	36,366	40,103	13,249	-	13,249
Poage Elementary School	14,101	63,692	41,735	36,058	-	36,058
Family Resource Center	33,734	80,794	91,160	23,368	-	23,368
Athletic Fund	146,342	305,355	360,465	91,232	-	91,232
	<u>\$ 447,905</u>	<u>\$ 941,003</u>	<u>\$ 980,769</u>	<u>\$ 408,139</u>	<u>\$ 4,098</u>	<u>\$ 412,237</u>

ASHLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF GRANT, RECEIPTS,
DISBURSEMENTS AND FUND BALANCE
HEAD START GRANTS
FOR THE YEAR ENDED JUNE 30, 2014

AMOUNT OF GRANT	Headstart Grant No. 04CH002769/44			Headstart Grant No. 04CH002769/45		
	Budget	Actual Prior Year	Actual Current Year	Total	Budget	Actual
				\$ 814,113		\$ 772,055
RECEIPTS:						
Grant funds	\$ 814,113	\$ 731,451	\$ 68,453	\$ 799,904	\$ 788,109	\$ 461,335
Grantee's in kind contributions	203,528	203,528	-	203,528	193,014	193,014
Total receipts	<u>1,017,641</u>	<u>934,979</u>	<u>68,453</u>	<u>1,003,432</u>	<u>981,123</u>	<u>654,349</u>
DISBURSEMENTS:						
HEADSTART FULL YEAR/PART DAY (PA22 & PA28)						
Personnel	512,140	449,294	8,989	458,283	502,247	483,754
Fringe benefits	173,300	149,904	15,780	165,684	170,937	155,873
Supplies	96,119	72,313	56,748	129,061	55,817	27,233
Contractual	15,000	8,864	150	9,014	26,054	3,051
Vehicles	-	28,500	-	28,500	-	-
Travel - Out of district	-	21	-	21	5,000.00	1,694
Other	1,500	6,501	995	7,496	12,000	5,031
In-kind utilized	203,528	203,528	-	203,528	193,014	193,014
Totals	<u>1,001,587</u>	<u>918,925</u>	<u>82,662</u>	<u>1,001,587</u>	<u>965,069</u>	<u>869,650</u>
TRAINING AND TECHNICAL ASSISTANCE (PA 20)						
Contractual	11,054	13,727	-	13,727	11,054	720
Travel	5,000	2,327	-	2,327	5,000	5,258
Totals	<u>16,054</u>	<u>16,054</u>	<u>-</u>	<u>16,054</u>	<u>16,054</u>	<u>5,978</u>
Total disbursements	<u>1,017,641</u>	<u>934,979</u>	<u>82,662</u>	<u>1,017,641</u>	<u>981,123</u>	<u>875,628</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (14,209)</u>	<u>\$ (14,209)</u>	<u>\$ -</u>	<u>\$ (221,279)</u>
CASH AND CASH EQUIVALENTS (DEFICIENCY), JUNE 30, 2014						(235,488)
ACCOUNTS RECEIVABLE						<u>235,488</u>
FUND BALANCE, JUNE 30, 2014						<u>\$ -</u>

ASHLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

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:				
Title I Grants to Local Educational Agencies	84.010	3100002-13	\$ 1,206,172	\$ 706,962 *
Title I Grants to Local Educational Agencies	84.010	3100202-12	26,669	26,669 *
Title I Grants to Local Educational Agencies	84.010	3100202-12	1,538,600	338,882 *
				<u>1,072,513</u>
Special Education Cluster (IDEA):				
Special Education Grants to States - IDEA, Part B	84.027	3810002-11	685,097	71,214 *
Special Education Grants to States - IDEA, Part B	84.027	3810002-12	680,749	516,250 *
Special Education Grants to States - IDEA, Part B	84.027	3810002-13	638,297	90,989 *
Special Education Preschool Grants	84.173	3800002-11	41,022	2,856 *
Special Education Preschool Grants	84.173	3800002-12	39,263	12,196 *
Special Education Preschool Grants	84.173	3800002-13	38,844	7,498 *
Special Education Preschool Grants - RTC	84.173	3800003-13	387,478	302,417 *
Special Education Preschool Grants - RTC	84.173	3800003-12	397,478	113,767 *
				<u>1,117,187</u>
Education for Homeless Children and Youth	84.196	3990002-13	39,509	26,392
Education for Homeless Children and Youth	84.196	3990002-12	43,317	10,419
				<u>36,811</u>
Race to the Top	84.413	3960002-11	55,094	22,818
				<u>22,818</u>
Improving Teacher Quality State Grants	84.367	3230002-13	197,860	135,866
Improving Teacher Quality State Grants	84.367	3230002-12	207,009	37,742
				<u>173,608</u>
Vocational Education Basic Grants to States	84.048	4621032-12	2,049	2,049
Vocational Education Basic Grants to States	84.048	4621032-13	39,281	39,281
				<u>41,330</u>
Direct Program:				
Safe and Drug-Free Schools and Communities National Programs	84.184L	5344H & 5344S	382,347	364,113 *
Safe and Drug-Free Schools and Communities National Programs	84.184L	5343H & 5343S	1,086,478	1,465 *
Total Direct Program				<u>365,578</u>
Total U.S. Department of Education				<u>2,829,845</u>

ASHLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2014

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 Agriculture</u>				
Cash Assistance:				
Passed through State Department of Education:				
Child and Adult Care Food Program	10.558	7790021-13	-	904
Child and Adult Care Food Program	10.558	7800016-14	-	12,465
				<u>13,369</u>
Fresh Fruit and Vegetable Program	10.582	7720012-13	-	3,308
Fresh Fruit and Vegetable Program	10.582	7720012-14	-	15,170
				<u>18,478</u>
Child Nutrition Cluster:				
National School Lunch Program	10.555	7750002-14	-	633,590 *
National School Lunch Program	10.555	7750002-13	-	144,624 *
School Breakfast Program	10.553	7760005-14	-	242,281 *
School Breakfast Program	10.553	7760005-13	-	45,484 *
Summer Food Service Program for Children	10.559	7690024-13	-	1,547 *
Summer Food Service Program for Children	10.559	7740023-13	-	14,842 *
				<u>1,082,368</u>
Non-Cash Assistance:				
National School Lunch Program				
Food Donation	10.555	011-0100	-	73,527 *
Total Child Nutrition Cluster				<u>1,155,895</u>
Total U.S. Department of Agriculture				<u>1,187,742</u>
<u>U.S. Department of Health and Human Services</u>				
Direct Programs:				
Head Start	93.600	0653 & 6553	814,113	82,662 *
Head Start	93.600	0654 & 6554	772,055	683,439 *
Total U.S. Department of Health and Human Services				<u>766,101</u>
<u>U.S. Department of Defense</u>				
Direct Program:				
Basic, Applied, and Advance Research in Science and Engineering	12.630	ROTC	General Fund	51,984
Total U.S. Department of Defense				<u>51,984</u>
Total expenditures of Federal awards				<u>\$ 4,835,672</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 Ashland Independent School District under programs of the federal government for the year ended June 30, 2014. 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 Ashland Independent School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State and Local Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represents 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, 2014, commodities on hand are included in the total inventory of \$10,210.



**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
Ashland Independent School District
Ashland, Kentucky

We have audited, 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 the *Auditor Responsibilities* and *State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Ashland Independent School District (the "District") as of and for the year ended June 30, 2014, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 12, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Kelley Dalloway Smith Doolby, PSC

November 12, 2014



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

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

Report on Compliance for Each Major Federal Program

We have audited Ashland Independent School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2014. Ashland Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

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

Kelley Halloway Smith Doolby, PSC

November 12, 2014

**ASHLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

(A) SUMMARY OF AUDIT RESULTS

Type of Auditor's report issued: Unmodified

Internal Control over financial reporting:

Material weakness(es) identified? _____ yes x no

Significant deficiency(ies) identified? _____ yes x none reported

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

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes x no

Significant deficiency(ies) identified? _____ yes x none reported

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

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

The District had the following major programs with CFDA numbers in parentheses for the year ended June 30, 2014:

- Head Start (93.600)
- Title I (84.010)
- Special Education Cluster (IDEA) (84.027 and 84.173)
- Child Nutrition Cluster (10.553, 10.555, and 10.559)
- Safe and Drug - Free Schools and Communities National Programs (84.184L)

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

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

(B) FINANCIAL STATEMENT FINDINGS

None noted in the current year.

(C) FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings in the current year.

**ASHLAND INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

None in prior year.



Kentucky State Committee of School District Audits
Members of the Board of Education
Ashland Independent School District
Ashland, Kentucky

In planning and performing our audit of the financial statements of Ashland Independent School District (the "District") as of and for the year ended June 30, 2014, 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 opinion of 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 November 12, 2014, 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 an additional study of these matters, or to assist you in implementing the recommendations.

Kelley Galloway Smith Goolsby, PSC

November 12, 2014

ASHLAND INDEPENDENT SCHOOL DISTRICT

MANAGEMENT LETTER POINTS

FOR THE YEAR ENDED JUNE 30, 2014

Meal Reimbursement

Condition: We noted one day worth of meals from the Head Start program in April were not reimbursed due to the fact that they were not properly included on the request for reimbursement. The amount for the day was \$546. This occurred because whomever completes the meals served for the Head Start program did not complete the April 30, 2014 day timely and the Food Service Director did not check for completeness of the Head Start meals served schedule before pulling the numbers for submission.

Criteria: The District should properly include all meals on the request for reimbursement to ensure that the District is receiving the correct amount of funds.

Effect: The District did not get reimbursed for all meals served.

Recommendation: The amount of meals served should be entered daily and the completeness should be reviewed before submitting for reimbursement.

Management's Response: A procedure has been implemented that requires the Food Service Manager for Head Start to enter the counts no later than the end of the each school day. The Food Service Director also agrees the counts shown on the count sheets to the amounts entered into the point of sale each month when the claims for reimbursement are completed in the States claim (CNIPS) software.

Title I Pay

Condition: The District pays funds to Holy Family School for salaries of a Title I teacher. We noted that the District sets a budget of how much they are to pay to Holy Family School and the District overpaid for 144 hours to Holy Family School. Per the teacher's contract she was to be paid for 450 hours and she was paid for 594.

Criteria: The District should properly track the hours that they have paid for to ensure that they stay within the required budgeted amount.

Effect: The District overpaid funds to Holy Family School.

Recommendation: We recommend that the District establish a method to properly track the hours of the Title I employee to ensure that they are not paid more than their agreed upon contract amount.

Management's Response: The Title I Coordinator is now receiving and reviewing the time sheets for the employee paid through the school district for work performed at the private school. As part of that review, the accumulated hours worked are being maintained to insure that the employee does not exceed the contract hours provided for in their contract. The time sheets are no longer forwarded directly to the payroll department for processing.

Activity Funds

Crabbe - Budgeting

Condition: We noted that Crabbe does not prepare budgets for all accounts and the boosters do not prepare budgets.

Criteria: Redbook requires accounts to be budgeted and the booster clubs to submit budgets.

Effect: Redbook is not being properly followed.

Recommendation: We recommend that the District implement proper oversight controls to ensure that all applicable personnel are aware of the Redbook requirements and provide adequate training where needed.

Management's Response: We have discussed the requirement of preparing budgets for all activity funds with the Principal. Budgets have been prepared for all activity funds for the 2014-2015. We are in the process of training a new Secretary at the school on all of the proper accounting procedures, policies and requirements of school activity funds.

Crabbe - Cash

Condition: We noted that Crabbe personnel recorded a deposit in transit on the June 30, 2014 Annual Financial Report that did not subsequently clear the bank account through September 30, 2014. This deposit in transit was reclassified as an accounts receivable.

Criteria: Redbook requires deposits to be recorded and deposited with a local bank on a timely basis.

Effect: Redbook is not being properly followed.

Recommendation: We recommend that the District implement proper oversight controls to ensure that all activity fund personnel are aware of proper Redbook requirements and provide adequate training where needed. In addition, the District should ensure that the undeposited funds are properly deposited in the bank.

Management's Response: We have discussed and reviewed proper accounting policies and procedures for cash that all activity funds must follow with the Principal. We are in the process of training a new Secretary at the school on all of the proper accounting procedures, policies and requirements of school activity funds. Both the Principal and district Financial Officer will review more closely each monthly report and when applicable determine that all deposits in transit are deposited timely.

Verity – Cash Disbursements

Condition: We noted that disbursement check number 6161 to the Paramount Arts Center in the amount of \$504 had a purchase request that was properly approved; however, there was no invoice or other documentation to support the amount of the disbursement. Upon further review we noted several checks that had properly authorized purchase requests that did not have support attached for the amount of the disbursement.

Criteria: All disbursements should be properly supported by an invoice or other documentation.

Effect: The school is unable to support the amount of the disbursements.

Recommendation: We recommend that more care be taken to ensure that all disbursements are properly supported with an invoice.

Management's Response: We have discussed with the Principal the importance and requirement that payments may only be made to vendors or suppliers that have provided proper documentation or invoice to support the payment. Any request for payment by any entity may not be made until or if proper documentation or an invoice is provided, reviewed and approved for payment by the appropriate employee. He has also discussed emphasized the importance of this policy with his Secretary.

Paul G Blazer High School Athletic Fund – Deficit Balance

Condition: We noted that the Paul G Blazer High School Athletic Fund softball account ended the year with a \$99 deficit balance.

Criteria: Per the Redbook requirements, individual school activity accounts shall not end the fiscal year with a negative (deficit) balance.

Effect: The activity fund is not in compliance with Redbook requirements.

Recommendation: We recommend that more care be taken to ensure that all no accounts end the year with a negative balance and that additional training be provided where needed.

Management's Response: We have discussed the proper accounting procedures as defined and determined by the accounting procedures for school activity funds issued by the state with the school's Bookkeeper. Since she has only been performing these duties since May of 2014 she was not aware of the requirement but in the future will make the necessary adjustments as allowed by these procedures to insure that no individual school activity accounts end the school year with a deficit balance.

Follow-up on Prior Year Recommendations

None of the conditions listed above are repeat findings from the prior year. All prior year conditions have been implemented and corrected. Mr. Stephen Gilmore, Superintendent, is the person responsible for initiation of the corrective action plan for the above conditions which will be implemented immediately. The corrective action plan is the management response for each condition.