

BARREN COUNTY BOARD OF EDUCATION

**BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND INDEPENDENT AUDITOR'S REPORT
For the Year Ended June 30, 2014**

BARREN COUNTY BOARD OF EDUCATION

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BARREN COUNTY BOARD OF EDUCATION

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Independent Auditor's Report

Members of the Board of Education
Barren County Board of Education
Glasgow, Kentucky 42141

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Barren County Board of Education, 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. 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 Barren County Board of Education, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-10 and 43-44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual nonmajor 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 nonmajor 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 5, 2014, on our consideration of the Barren County Board of Education'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 Barren County Board of Education's internal control over financial reporting and compliance.

Campbell, Myers & Ratledge, PLLC

Certified Public Accountants

Glasgow, Kentucky

November 5, 2014

**BARREN COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014**

As management of the Barren County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The beginning cash balance for the District was \$1,633,929.21 in the General Fund.
- State revenue for the Capital Outlay Fund increased \$1,696 over 12-13; a .39% increase. Under the auspices of House Bill 269, the Board of Education voted to use if necessary \$ 435,251 of Capital Outlay funds to offset general fund maintenance expenditures and property insurance. The Board of Education used \$ 308,801 for maintenance and property insurance; the remaining amount of \$126,450 was used for bond payments for buildings.
- State revenue for the Building Fund overall increased by \$15,862 from the previous year, while tax revenue for that fund decreased by \$5,355, resulting in an overall increase of \$ 10,507 (.27%). Flat property values and lack of new construction have significantly slowed the growth of this fund.
- There were two inter-fund transfers from the General Fund to the KETS grant for the technology offer of assistance totaling \$ 69,045, which was a decrease of \$ 14 from the previous school year keeping the KETS offers basically the same for the biennium.
- The General Fund had \$35,063,313 in revenue, which includes \$6,897,171.93 in on behalf payments. General Fund expenditures were \$34,065,124 a difference of \$ 998,189. Staffing efficiencies contributed to the bottom line as well as increased revenue from utility tax, Medicaid, and state SEEK from increased ADA . Even given the projected 5% reduction to most federal grants under the auspice of the federal sequester, overall the special revenue fund increased by \$258,855.27 over 12-13 school year. Increased grant opportunities through the 21st Century program significantly aided in the special revenue increase. As mentioned earlier the district experienced an overall increase in state SEEK of \$ 10,850 even though the state reduced the per pupil base by \$6 per ADA.
- District leaders approved a \$1,615,000 bond sale to begin renovations on the Barren Co High School media center, gym roof as well as renovations to the gym roof at Austin Tracy Elementary and the roof at the Central Office Complex. Work began in May and should be completed by the end of the calendar year.
- Fund 54 is a proprietary fund for the community education classes in which enrollees pay fees to reimburse instructors.
- Fund 61 is a proprietary fund for the operation of the after school program, Trojan Times, initiated during 02-03 to provide after school care and homework help for our students in conjunction with ESS activities to improve scholastic performance and enrichment activities to which students may not otherwise have access.

**BARREN COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014**

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. Taxes and intergovernmental revenues also support fixed assets and related debt.

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The proprietary funds are food service operations (Fund 51), after school program (Fund 52), adult community education program (Fund 54), and fiscal agent fund, Trojan Times (Fund 61).

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.

**BARREN COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$ 20,281,118 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 are still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

Net Position for the period ending June 30, 2014 in comparison to June 30, 2013

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Current assets	\$ 7,155,910	\$ 4,642,114
Noncurrent assets	<u>72,177,649</u>	<u>73,834,556</u>
Total assets	79,333,559	78,476,670
Deferred outflows of resources	355,575	389,133
Current liabilities	6,590,071	4,460,108
Noncurrent liabilities	<u>52,453,939</u>	<u>55,452,535</u>
Total liabilities	59,044,010	59,912,643
Deferred inflows of resources	364,006	377,047
Net position:		
Investment in capital assets (net of debt)	14,721,911	14,950,753
Restricted	1,644,092	1,524,838
Unrestricted	<u>3,915,115</u>	<u>2,100,522</u>
Total net position	<u>\$ 20,281,118</u>	<u>\$ 18,576,113</u>

**BARREN COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014**

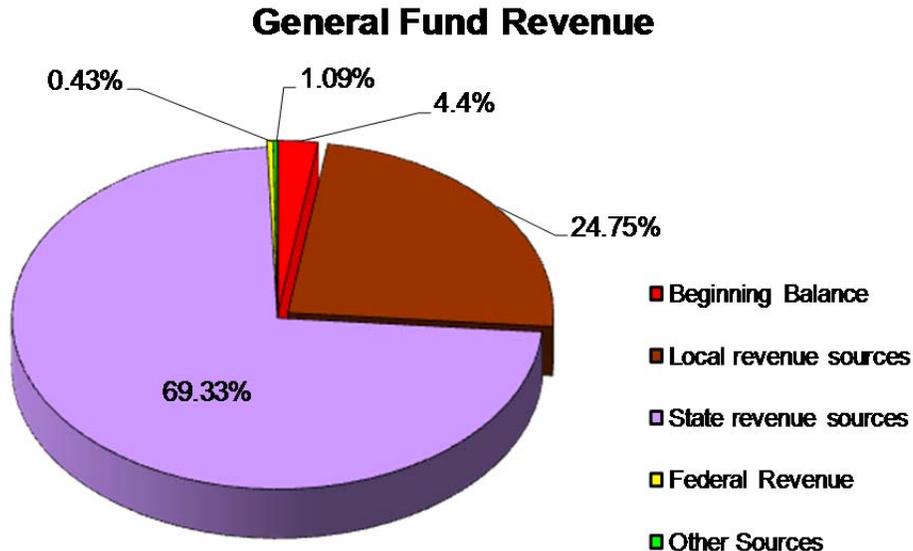
Change in Net Position for the period ending June 30, 2014 in comparison to June 30, 2013

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Revenues:		
Local revenue sources	\$ 11,141,554	\$ 10,742,701
State revenue sources	36,105,212	35,961,317
Other sources	<u>405,020</u>	<u>669,542</u>
Total revenues	\$ 47,651,786	\$ 47,373,560
Expenses:		
Instruction	\$ 26,919,687	\$ 27,504,514
Student support services	1,340,871	1,284,116
Instructional support	764,067	976,832
District administration	2,176,506	1,746,555
School administration	2,090,247	2,095,023
Business support	890,959	718,141
Plant operations	3,974,095	3,989,135
Student transportation	3,060,104	3,266,509
Community service act	346,930	331,411
Bond issuance costs	25,690	-
Amoritzation of bond discount	46,826	49,091
Interest on long-term debt	1,860,149	1,815,744
Depreciation	<u>2,300,415</u>	<u>2,086,508</u>
Total expenses	\$ 45,796,546	\$ 45,863,579
Change in net position	<u>\$ 1,855,240</u>	<u>\$ 1,509,981</u>

**BARREN COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014**

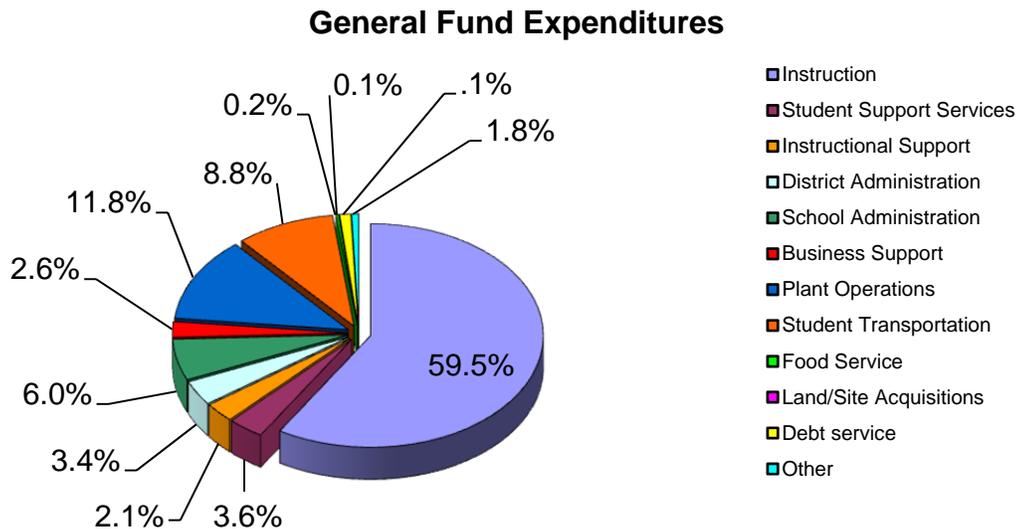
General Fund Revenue Chart 1

The majority of revenue was derived from state sources 69.33% with local funding making up 24.75% of total revenue, beginning balance 4.4%, federal revenue .43%, and other sources 1.09%.



General Fund Expenditures Chart 2

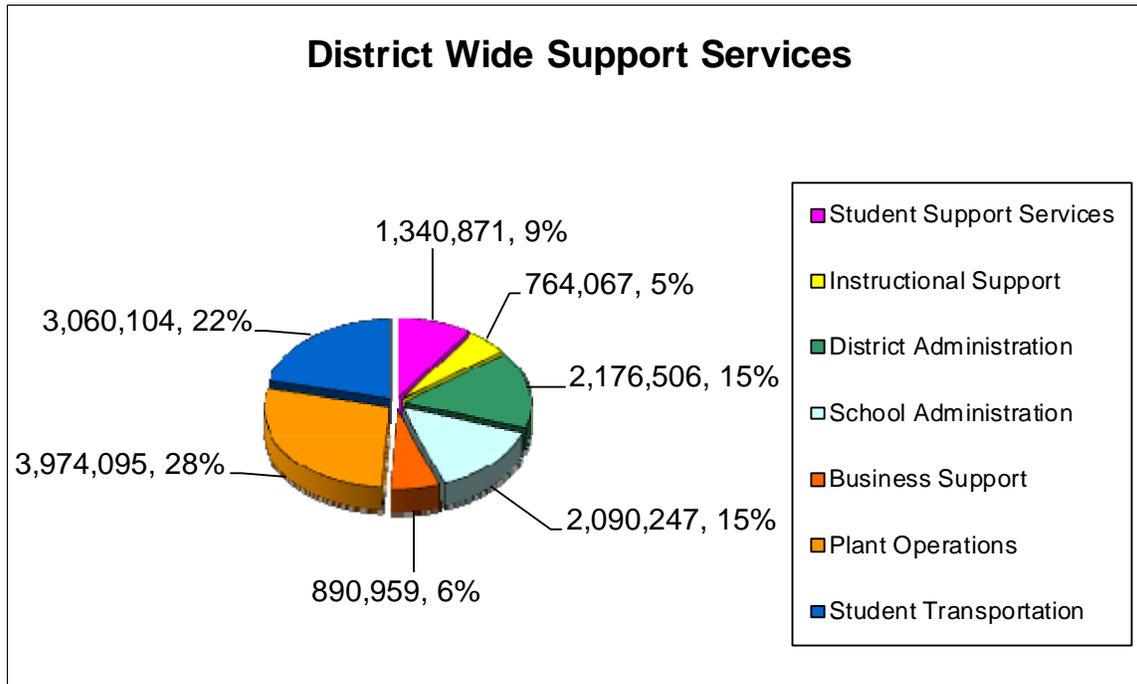
Site Based Decision Making Councils expended 69.1% of the general fund budget. The remaining 30.9% was expended for instructional staff support services, district administrative support, business support services, plant operation and maintenance, student transportation, food service, site acquisitions, and other. A breakdown of these expenditures is found in Chart 2.



**BARREN COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014**

District Wide Support Services Chart 3

District Wide support services expenditures were Instructional Staff Support, Administrative Support, Business Support, Plant Operation and Maintenance, Student Transportation and Central Office Support. A breakdown of these expenditures is found in Chart 3.



Long-term debt payments in the amount of \$4,250,923.05 were expended during 2013-2014 for the following bond issues:

- Bond series 2001 QZAB (BCHS)
- Bond series 2002 (Refinance 1993 Middle School)
- Bond series 2004 (Middle School/Vocational School/Eastern)
- Bond series 2005R (Hiseville)
- Bond series 2006 (Trojan Academy)
- Bond series 2008 (NJE Jackson Site Work)
- Bond series 2008B (North Jackson Elementary)
- Bond series 2008 Energy Management
- Bond series 2009R (Refinance Red Cross and AT 1998 and 1998R Series)
- Bond series 2010 (North Jackson Expansion)
- Bond series 2010R (Refinance Park City 2001 Series)
- Bond series 2010B-(Refinance Temple Hill 2002 Series)
- Bond series 2011 (BCHS Expansion ROTC)
- Bond series 2011 QZAB (BCHS Renovation/Band)
- Bond series 2012 (Refinance Middle School/Vocational School/Eastern 2004 Series)
- Bond series 2014 (BCHS Media Center Renovation)

Interest and principal payments for bonds in the amount of \$4,035,768 were expended from the Building Fund and Capital Outlay. General Fund interest and principal in the amount of \$111,443 was expended for Energy Management Bond Series. Additional interest and principal payments in the amount of \$84,943 were paid from the Special Revenue Fund.

**BARREN COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014**

BUDGETARY IMPLICATIONS

In Kentucky, the public schools fiscal year is July 1 to June 30: other programs, i.e. some federal programs operate on a different fiscal calendar, but are reflected in the District overall budget. By law, the budget must have a minimum 2% contingency. The Barren County Board of Education adopted a budget for 2013-14 with a 5.5 % contingency. Significant Board action that impacted financial status for the 14-15 school year included reduction in fees paid for dual credit classes, classified and extended contracted days, as well as continuing to fund initiatives for student accident insurance coverage, fee money provision for elementary and middle school students, resource curriculum specialists shared between all grade levels, technology resource specialists, all day kindergarten, open enrollment for preschool students, summer feeding program, MAP testing for grades 3 through 9, and additional preschool funding. Renovations to the Barren County High School, Central Office, and Austin Tracy Elementary School were initiated and hope to be completed by the end of the calendar year.

The board was pleased to see the State significantly increase most all flex focus budgets for the 14-15 school year especially those for textbooks, professional development, and extended school services. The funds had been greatly reduced during the past biennium and while they are still below historical levels, are greatly increased over the past school year. In addition, the BAVEL (Barren Academy of Virtual and Extended Learning) saw a considerable increase in qualifying ADA enrollment which has helped to generate additional SEEK funds for the upcoming school year as well. During the 2014-15 school year, the board is expected to see an \$ 84 per ADA SEEK funding increase over this past school year which included a state mandated a 1% raise. Locally, the board adopted a 2% cost of living raise for all staff.

Like most years, the board is expected to see continued yearly inflationary costs and increased budgeted expense for a number of items including \$ 10,500 for student accident insurance, KTRS Health Insurance match .75% (\$120,000) , \$ 46,000 for instructional software/supplies, as well as rank and step salary increases. In addition, the KISBIT insurance assessment for workers compensation and liability insurance has been finalized for all participating school districts leaving the district with a \$ 24,881 payment for the next three school years. It should be noted that the assessment is not completely finalized and that future reassessments are possible. Fortunately a number of revenue streams including utility tax and Medicaid reimbursement have helped to offset these rising inflationary costs. Even facing these adverse financial challenges, we continue to address our changing student population and actively evaluate new grant opportunities to further meet our students' needs and to ultimately reach higher and achieve more.

Questions regarding this report should be directed to the Superintendent Bo Matthews. **(270-651-3787)** or to John E. Stith, Director of Financial Services **(270-651-3787)** or by mail at 202 W. Washington Street, Glasgow, KY 42141.

BARREN COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
June 30, 2014

	Governmental Activities	Business Type Activities	Total
Assets:			
<u>Current Assets:</u>			
Cash and cash equivalents	\$ 2,232,049	\$ 66,935	\$ 2,298,984
Inventory	-	49,497	49,497
Accounts receivable			
Taxes - current	514,184	-	514,184
Accounts receivable	1,764,207	44,156	1,808,363
Intergovernmental - indirect federal	840,790	-	840,790
Investments	1,644,092	-	1,644,092
Total current assets	<u>6,995,322</u>	<u>160,588</u>	<u>7,155,910</u>
<u>Noncurrent Assets:</u>			
Nondepreciated Capital Assets	2,606,815	-	2,606,815
Capital assets	95,967,650	9,355,378	105,323,028
Less: accumulated depreciation	<u>(32,011,597)</u>	<u>(3,740,597)</u>	<u>(35,752,194)</u>
Total noncurrent assets	<u>66,562,868</u>	<u>5,614,781</u>	<u>72,177,649</u>
Total assets	<u>73,558,190</u>	<u>5,775,369</u>	<u>79,333,559</u>
Deferred Outflows of Resources			
Unamortized Discount on Bonds	<u>355,575</u>	<u>-</u>	<u>355,575</u>
Liabilities:			
<u>Current Liabilities:</u>			
Checks issued in excess of deposits	636,201	-	636,201
Accounts payable	583,906	300	584,206
Current portion of bond obligations	4,417,600	-	4,417,600
Current portion of capital lease obligations	377,500	-	377,500
Current portion of accrued sick leave	31,636	-	31,636
Interest payable	542,928	-	542,928
Total current liabilities	<u>6,589,771</u>	<u>300</u>	<u>6,590,071</u>
<u>Noncurrent liabilities:</u>			
Noncurrent portion of bond obligations	50,090,000	-	50,090,000
Noncurrent portion of capital lease obligations	1,769,448	-	1,769,448
Noncurrent portion of accrued sick leave	519,847	-	519,847
Other noncurrent liabilities	74,644	-	74,644
Total noncurrent liabilities	<u>52,453,939</u>	<u>-</u>	<u>52,453,939</u>
Total liabilities	<u>59,043,710</u>	<u>300</u>	<u>59,044,010</u>
Deferred Inflows of Resources			
Deferred revenue	<u>364,006</u>	<u>-</u>	<u>364,006</u>
<u>Net Position:</u>			
Invested in capital assets, net of related debt	9,107,130	5,614,781	14,721,911
Restricted for:			
Debt service	1,644,092	-	1,644,092
Unrestricted	3,754,827	160,288	3,915,115
Total net position	<u>\$ 14,506,049</u>	<u>\$ 5,775,069</u>	<u>\$ 20,281,118</u>

See accompanying notes to financial statements.

**BARREN COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014**

Functions / Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business - Type Activities	Total
Governmental Activities:							
Instruction	\$ 26,919,687	\$ -	\$ 7,014,868	\$ -	\$ (19,904,819)	\$ -	\$ (19,904,819)
Support Services							
Student	1,340,871	-	-	-	(1,340,871)	-	(1,340,871)
Instruction staff	764,067	-	-	-	(764,067)	-	(764,067)
District administrative	2,176,506	-	-	-	(2,176,506)	-	(2,176,506)
School administrative	2,090,247	-	-	-	(2,090,247)	-	(2,090,247)
Business	890,959	-	-	-	(890,959)	-	(890,959)
Plant operations and maintenance	3,974,095	-	959,756	-	(3,014,339)	-	(3,014,339)
Student Transportation	3,060,104	-	28,041	-	(3,032,063)	-	(3,032,063)
Community service activities	346,930	-	-	-	(346,930)	-	(346,930)
Facilities acquisition and construction	-	-	-	1,648,068	1,648,068	-	1,648,068
Bond issuance Costs	25,690	-	-	-	(25,690)	-	(25,690)
Principal on long-term debt	-	-	-	284,155	284,155	-	284,155
Interest on long-term debt	1,860,149	-	-	318,114	(1,542,035)	-	(1,542,035)
Amoritzation of Bond Discounts	46,826	-	-	-	(46,826)	-	(46,826)
Depreciation (unallocated)	2,300,415	-	-	-	(2,300,415)	-	(2,300,415)
Total governmental activities	<u>45,796,546</u>	<u>-</u>	<u>8,002,665</u>	<u>2,250,337</u>	<u>(35,543,544)</u>	<u>-</u>	<u>(35,543,544)</u>
Business-Type Activities							
Food Service	3,453,960	798,099	2,315,901	177,973	-	(161,987)	(161,987)
Adult Education	8,445	19,798	-	-	-	11,353	11,353
Total business-type activities	<u>3,462,405</u>	<u>817,897</u>	<u>2,315,901</u>	<u>177,973</u>	<u>-</u>	<u>(150,634)</u>	<u>(150,634)</u>
Total primary government	<u>\$ 49,258,951</u>	<u>\$ 817,897</u>	<u>\$ 10,318,566</u>	<u>\$ 2,428,310</u>	<u>\$ (35,543,544)</u>	<u>\$ (150,634)</u>	<u>\$ (35,694,178)</u>
				General Revenues:			
				Taxes:			
				Property taxes	\$ 8,274,503	\$ -	\$ 8,274,503
				Motor vehicle taxes	879,012	-	879,012
				Utilities	1,988,039	-	1,988,039
				Investments earnings	61,025	399	61,424
				State and formula grants	25,880,251	-	25,880,251
				Miscellaneous	315,954	-	315,954
				Total general revenues	<u>37,398,784</u>	<u>399</u>	<u>37,399,183</u>
				Change in net position	1,855,240	(150,235)	1,705,005
				Net position - beginning (restated)	<u>12,650,809</u>	<u>5,925,304</u>	<u>18,576,113</u>
				Net position - ending	<u>\$ 14,506,049</u>	<u>\$ 5,775,069</u>	<u>\$ 20,281,118</u>

See accompanying notes to financial statements.

**BARREN COUNTY BOARD OF EDUCATION
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2014**

	General Fund	Special Revenue	Construction Fund	Debt Service Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets and resources:						
Cash and cash equivalents	\$2,215,166	\$ 16,883	\$ -	\$ -	\$ -	\$ 2,232,049
Accounts receivable:						
Taxes-current	514,184	-	-	-	-	514,184
Accounts receivable	162,475	-	-	1,601,732	-	1,764,207
Intergovernmental - indirect federal	-	840,790	-	-	-	840,790
Due from other funds	-	-	1,576,042	-	-	1,576,042
Investments	-	-	-	1,644,092	-	1,644,092
Total assets and resources	<u>\$2,891,825</u>	<u>\$ 857,673</u>	<u>\$ 1,576,042</u>	<u>\$ 3,245,824</u>	<u>\$ -</u>	<u>\$ 8,571,364</u>
Liabilities and fund balance:						
Liabilities:						
Checks issued in excess of deposits	\$ -	\$ 493,667	\$ 142,534	\$ -	\$ -	\$ 636,201
Accounts payable	86,913	-	471,303	25,690	-	583,906
Deferred revenues	-	364,006	-	-	-	364,006
Payable to other funds	-	-	-	1,576,042	-	1,576,042
Total liabilities	<u>86,913</u>	<u>857,673</u>	<u>613,837</u>	<u>1,601,732</u>	<u>-</u>	<u>3,160,155</u>
Fund balances:						
Restricted						
Capital Projects	-	-	962,205	-	-	962,205
Debt Service	-	-	-	1,644,092	-	1,644,092
Assigned						
Sick Leave Payable	551,485	-	-	-	-	551,485
Unassigned	<u>2,253,427</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,253,427</u>
Total fund balances	<u>2,804,912</u>	<u>-</u>	<u>962,205</u>	<u>1,644,092</u>	<u>-</u>	<u>5,411,209</u>
Total liabilities and fund balances	<u>\$2,891,825</u>	<u>\$ 857,673</u>	<u>\$ 1,576,042</u>	<u>\$ 3,245,824</u>	<u>\$ -</u>	<u>\$ 8,571,364</u>

See accompanying notes to financial statements.

**BARREN COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
June 30, 2014**

Total fund balance per fund financial statements \$ 5,411,209

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

Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position. 66,562,868

Bond discounts are not financial resources and therefore are not reported as assets in governmental funds balance sheet. The cost of the asset is \$586,532 and the accumulated amortization is \$230,957. 355,575

Certain liabilities (such as bonds payable, accrued sick leave and accrued interest) are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position. (57,823,603)

Net position for governmental activities \$ 14,506,049

BARREN COUNTY BOARD OF EDUCATION
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

	General Fund	Special Revenue	Construction Fund	Debt Service Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
From local sources:						
Taxes:						
Property	\$ 6,013,253	\$ -	\$ -	\$ -	\$ 2,261,250	\$ 8,274,503
Motor vehicles	879,012	-	-	-	-	879,012
Utilities	1,988,039	-	-	-	-	1,988,039
Earnings on investments	32,702	980	-	27,343	-	61,025
Fees	-	-	-	-	-	-
Other local revenues	270,056	524,505	-	-	-	794,561
Intergovernmental-state	25,721,485	2,197,879	-	517,583	2,083,319	30,520,266
Intergovernmental-indirect federal	-	4,816,989	-	84,686	-	4,901,675
Intergovernmental-direct federal	158,766	-	-	-	-	158,766
Total revenues	<u>35,063,313</u>	<u>7,540,353</u>	<u>-</u>	<u>629,612</u>	<u>4,344,569</u>	<u>47,577,847</u>
Expenditures:						
Instruction	20,656,748	6,149,071	-	-	-	26,805,819
Support services:						
Student	1,237,622	103,249	-	-	-	1,340,871
Instructional staff	742,156	21,911	-	-	-	764,067
District administration	1,187,124	889,857	-	-	-	2,076,981
School administration	2,090,247	-	-	-	-	2,090,247
Business	890,959	-	-	-	-	890,959
Plant operations and maintenance	4,113,235	-	-	-	-	4,113,235
Student transportation	3,055,601	4,503	-	-	-	3,060,104
Facilities and construction	91,432	-	613,837	-	-	705,269
Community service activities	-	346,930	-	-	-	346,930
Debt Service	-	-	-	5,205,178	-	5,205,178
Total expenditures	<u>34,065,124</u>	<u>7,515,521</u>	<u>613,837</u>	<u>5,205,178</u>	<u>-</u>	<u>47,399,660</u>
Excess (deficit) of revenues over expenditures	<u>998,189</u>	<u>24,832</u>	<u>(613,837)</u>	<u>(4,575,566)</u>	<u>4,344,569</u>	<u>178,187</u>
Other financing sources (uses):						
KISTA Reimbursement	28,041	-	-	-	-	28,041
Proceeds from sale of fixed assets	57,438	-	-	-	-	57,438
KSBIT Payment	(24,881)	-	-	-	-	(24,881)
Procees from the Sale of Bonds	-	-	-	1,601,732	-	1,601,732
Bond Issuance Costs	-	-	-	(25,690)	-	(25,690)
Operating transfers in	317,740	69,045	1,576,042	4,694,820	-	6,657,647
Operating transfers out	(643,159)	(93,877)	-	(1,576,042)	(4,344,569)	(6,657,647)
Total other financing sources (uses)	<u>(264,821)</u>	<u>(24,832)</u>	<u>1,576,042</u>	<u>4,694,820</u>	<u>(4,344,569)</u>	<u>1,636,640</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	733,368	-	962,205	119,254	-	1,814,827
Fund balance, July 1, 2013	<u>2,071,544</u>	<u>-</u>	<u>-</u>	<u>1,524,838</u>	<u>-</u>	<u>3,596,382</u>
Fund balance, June 30, 2014	<u>\$ 2,804,912</u>	<u>\$ -</u>	<u>\$ 962,205</u>	<u>\$ 1,644,092</u>	<u>\$ -</u>	<u>\$ 5,411,209</u>

See accompanying notes to financial statements.

BARREN COUNTY BOARD OF EDUCATION
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 changes in total fund balances per fund financial statements \$ 1,814,827

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

Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year. (1,368,994)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long term long-term liabilities in the statement of net position. This is the amount in which proceeds were recorded in the current year for issuances and refinancing amounts. (1,601,732)

Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position. 3,285,644

Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred. (274,505)

Change in net position of governmental activities \$ 1,855,240

**BARREN COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014**

	Food Service Fund	Community Adult Education Fund	Total
Assets			
<u>Current Assets</u>			
Cash and cash equivalents	\$ 50,371	\$ 16,564	\$ 66,935
Inventory	49,497	-	49,497
Accounts receivable	43,876	280	44,156
Total current assets	<u>143,744</u>	<u>16,844</u>	<u>160,588</u>
Noncurrent			
Capital assets	9,355,378	-	9,355,378
Less: accumulated depreciation	<u>(3,740,597)</u>	<u>-</u>	<u>(3,740,597)</u>
Total noncurrent assets	<u>5,614,781</u>	<u>-</u>	<u>5,614,781</u>
Total assets	<u>5,758,525</u>	<u>16,844</u>	<u>5,775,369</u>
Liabilities			
<u>Current Liabilities</u>			
Accounts payable	<u>-</u>	<u>300</u>	<u>300</u>
Total current liabilities	<u>-</u>	<u>300</u>	<u>300</u>
Net Position			
Invested in capital assets net of related debt	5,614,781	-	5,614,781
Unrestricted	<u>143,744</u>	<u>16,544</u>	<u>160,288</u>
Total net position	<u>\$ 5,758,525</u>	<u>\$ 16,544</u>	<u>\$ 5,775,069</u>

BARREN COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2014

	Food Service Fund	Community Adult Education Fund	Total
Operating Revenues:			
Community service activities	\$ -	\$ 19,798	\$ 19,798
Lunchroom sales	<u>798,099</u>	<u>-</u>	<u>798,099</u>
Total operating revenues	<u>798,099</u>	<u>19,798</u>	<u>817,897</u>
Operating Expenses:			
Salaries and wages	1,647,126	-	1,647,126
Professional and contract services	113,515	-	113,515
Material and supplies	1,420,915	8,445	1,429,360
Depreciation	<u>272,404</u>	<u>-</u>	<u>272,404</u>
Total operating expenses	<u>3,453,960</u>	<u>8,445</u>	<u>3,462,405</u>
Operating income (loss)	<u>(2,655,861)</u>	<u>11,353</u>	<u>(2,644,508)</u>
Non-Operating Revenues (Expenses)			
Federal grants	1,661,764	-	1,661,764
Donated commodities	177,973	-	177,973
State grants & funding	652,923	-	652,923
Contributions	5,183	-	5,183
Gain/(Loss) on disposal of equipment	(3,969)	-	(3,969)
Interest income	<u>399</u>	<u>-</u>	<u>399</u>
Total non-operating revenues	<u>2,494,273</u>	<u>-</u>	<u>2,494,273</u>
Net income (loss)	(161,588)	11,353	(150,235)
Net position, July 1, 2013	<u>5,920,113</u>	<u>5,191</u>	<u>5,925,304</u>
Net position, June 30, 2014	<u>\$ 5,758,525</u>	<u>\$ 16,544</u>	<u>\$ 5,775,069</u>

See accompanying notes to financial statements.

**BARREN COUNTY BOARD OF EDUCATION
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2014**

	Food Service Fund	Communitiy Adult Education Fund	Total
Cash Flows From Operating Activities:			
Cash received from:			
Community service activities	\$ -	\$ 19,798	\$ 19,798
Lunchroom sales	798,099	-	798,099
Cash paid to/for			
Employees	(1,052,693)	-	(1,052,693)
Supplies	(1,409,193)	(9,025)	(1,418,218)
Other activities	(113,515)	-	(113,515)
Net cash provided (used) by operating activities	<u>(1,777,302)</u>	<u>10,773</u>	<u>(1,766,529)</u>
Cash Flows from Noncapital Financing Activites			
Government Grants	<u>1,827,274</u>	<u>-</u>	<u>1,827,274</u>
Cash Flows from Investing Activities:			
Receipt of interest income	<u>399</u>	<u>-</u>	<u>399</u>
Net increase (decrease) in cash and cash equivalents	50,371	10,773	61,144
Balances, beginning of year	-	5,791	5,791
Balances, end of year	<u>\$ 50,371</u>	<u>\$ 16,564</u>	<u>\$ 66,935</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (2,655,861)	\$ 11,353	\$ (2,644,508)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
On-Behalf Payments Received	594,433	-	594,433
Commodities Used	177,973	-	177,973
Depreciation	272,404	-	272,404
Change in assets and liabilities			
Decrease in checks issued in excess	(143,059)	-	(143,059)
Inventory	(20,538)	-	(20,538)
Accounts receivable	-	(280)	(280)
Accounts payable	(2,654)	(300)	(2,954)
Net cash provided (used) by operating activities	<u>\$ (1,777,302)</u>	<u>\$ 10,773</u>	<u>\$ (1,766,529)</u>
Schedule of non-cash transactions:			
On Behalf Payments	<u>\$ 594,433</u>		
Donated commodities received from federal government	<u>\$ 177,973</u>		

**BARREN COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2014**

	<u>Fiscal Agent Funds</u>	<u>Agency Funds</u>
Assets		
Cash and cash equivalents	\$ -	\$ 732,409
Accounts receivable	<u>3,380</u>	<u>417</u>
 Total assets	 <u>3,380</u>	 <u>732,826</u>
Liabilities		
Accounts payable	-	6,055
Due to student groups	<u>-</u>	<u>726,771</u>
 Total liabilities	 <u>-</u>	 <u>732,826</u>
 Net Position Held in Trust	 <u><u>\$ 3,380</u></u>	 <u><u>\$ -</u></u>

**BARREN COUNTY BOARD OF EDUCATION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2014**

	<u>Fiscal Agent Fund</u>
Additions	
Fees	\$ 69,119
Other local revenue	229
State funding	<u>19,359</u>
Total Additions	<u>88,707</u>
Deductions	
Salaries and benefits	85,205
Miscellaneous	<u>122</u>
Total deductions	<u>85,327</u>
Changes in net position	3,380
Net position, beginning of year	<u>-</u>
Net position, end of year	<u><u>\$ 3,380</u></u>

BARREN COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

1. Summary of Significant Accounting Policies:

Reporting Entity

The Barren County Board of Education, ("Board"), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Barren County Board of Education ("District"). The District receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. 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 District, for financial purposes, includes all of the funds and account groups relevant to the operations of the Barren County Board of Education. 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 District is not involved in budgeting or managing these organizations, is not responsible for any debt of the organizations, and has no influence over the operations of these organizations.

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

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

Barren County Board of Education Finance Corporation – On July 23, 1991, the Board of Education resolved to authorize the establishment of the Barren County Board of Education Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.190) (the "Corporation") as an agency for District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors.

Basis of Presentation

District-wide Financial Statements – The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the District, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

**BARREN COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS**

June 30, 2014

1. Summary of Significant Accounting Policies, Continued:

Basis of Presentation Continued

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

In the District-wide Statement of Net Position and Statement of Activities both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic assets are used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

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

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a Balance Sheet, which generally includes only current assets and current liabilities, and a Statement of Revenues, Expenditures and Changes in Fund Balances, which reports on the changes in net position. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The Statement of Cash Flows provides information about how the District finances and meets the cash flow needs of its proprietary activities. The District has the following funds:

I. Governmental Fund Types

- a. The General Fund is the primary operating fund of the District and is always classified as a major fund. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any unrestricted fund balances are considered resources available for use.

- b. The Special Revenue (Grant) 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 the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. The Kentucky Department of Education had deemed this fund to always be classified as a major fund.

BARREN COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

1. Summary of Significant Accounting Policies, Continued:

Basis of Presentation Continued

I. Government Fund Types, Continued

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) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.

3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.

d. Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on general obligation notes payable, as required by Kentucky Law.

II. Proprietary Fund Types (Enterprise Fund)

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

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

a. The Agency fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.

b. The Private Purpose Trust Funds are used to report trust arrangements under which principal and income benefit individuals, private organizations or other governments.

BARREN COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

1. Summary of Significant Accounting Policies, Continued:

Basis of Presentation Continued

District-Wide Financial Statements

Equity is classified as net position and displayed in three components:

- Invested in Capital Assets, Net of Related Debt – Consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributed to the acquisition, construction or improvement of those assets.
- Restricted Net Position – Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors or laws or regulations, or 2) law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – All other net positions that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

Fund Financial Statements

Under GASB 54, fund balance is separated into five categories, as follows:

- Nonspendable - Permanently nonspendable by decree of the donor, such as endowment, or items which may not be used for another purpose, such as amounts used to prepay future expenses or already purchased inventory on hand.
- Restricted – Legally restricted under federal or state law, bond authority, or grantor contract.
- Committed – Commitments passed by the Board.
- Assigned – Funds assigned to management priority including issued encumbrances.
- Unassigned – Funds available for future operations.

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

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 accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

BARREN COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

1. Summary of Significant Accounting Policies, Continued:

Basis of Accounting, Continued

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

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 first 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, revenue from nonexchange transaction must also be available before it can be recognized.

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

In order to present the Special Revenue Fund on the accrual basis of accounting, and because the awards are not yet available as assets, cash awards received in advance for the 2014-2015 school year have been classified as deferred revenues. Likewise, all awards requested as a result of the 2013-2014 expenditures have been classified as receivables. Revenues of the Special Revenue Fund are considered earned when reimbursed expenditures are made or obligations are incurred, and of equal amount.

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

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

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

**BARREN COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

1. Summary of Significant Accounting Policies, Continued:

Property Taxes

Property tax revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 60 days after tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2014, to finance the General Fund operations were \$.615 per \$100 valuation for real property, \$.615 per \$100 valuation for business personal property and \$.492 per \$100 valuation for motor vehicles.

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

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five thousand dollars. Improvements are capitalized; the cost of normal maintenance and repairs that do not add value to the asset or materially extend an asset's life are not.

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

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

BARREN COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

1. Summary of Significant Accounting Policies, Continued:

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund receivable/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-like activities, which are presented as internal balances.

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave and has no maximum accumulation.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide statements.

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using the expendable available resources. These amounts are recorded in the account "accumulated sick leave payable" in the general fund. The noncurrent portion of the liability is not reported.

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transaction on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (Budgetary) as opposed to when susceptible to accrual (GAAP).

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 made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

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

Cash and Cash Equivalents

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

BARREN COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

1. Summary of Significant Accounting Policies, Continued:

Inventories

The only inventory maintained by the District consists of expendable supplies held for consumption and is accounted for in the Proprietary Fund. Inventory consists of donated and purchased foods held for resale and are expensed when used. Purchased food is valued at cost (first-in, first-out method) and U.S. Government donated commodities value is determined by the U.S. Department of Agriculture.

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2014 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Investments

The private purpose trust funds record investments at their quoted market prices. All realized gains and losses and changes in fair value are recorded in the Statement of Changes in Fiduciary Net Position.

The permanent funds record investments at their quoted market value prices for purposes of the Statement of Net Position. All realized gains and losses and changes in fair market value are recorded in the Statement of Activities. Long-term investments are not recorded on the fund financial statements nor are unrealized gains and losses.

Accrued Liabilities and Long-Term Obligations

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, 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.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools and for childcare services provided.

BARREN COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

1. Summary of Significant Accounting Policies, Continued:

On-Behalf Payments

During the year ended June 30, 2014, the Kentucky Division of Finance made payments on behalf of Barren County Board of Education in amount of \$8,026,095. These payments were paid for fringe benefits and retirement for the District personnel. These payments have been included in both revenue and expenditures on the Board's financial statements for the year ended June 30, 2014.

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contribution of resources restricted to capital acquisition and construction.

Donated Commodities

The fair value of donated commodities received during the year is reported in the Proprietary Fund Statement of Revenues, Expenditures and Changes in Net Position as an expense and as donated commodities revenue (nonoperating revenue).

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

Reclassifications

Certain amounts in the 2013 financial statements were reclassified to conform with the 2014 presentation.

2. Estimates:

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

BARREN COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

3. Deferred Outflows/Inflows of Resources:

The District adopted GASB No. 63 and in addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The District has unamortized discounts on bonds that qualify for reporting in this category in the amount of \$355,575.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has Deferred Revenue of \$364,006 that qualifies for reporting in this category.

4. Cash Deposits and Investments:

At year end, the carrying amount of the District's total cash equivalents net of checks issued in excess of deposits was \$2,395,192. These amounts were covered by Federal Depository Insurance or by securities pledged by the financial institution. (Government Funds \$1,595,848, Proprietary Funds \$66,935 and Agency Funds \$732,409)

The Kentucky Legislature has placed limitations in investments and investment policy. No more than 20% can be invested in one or more of the following categories; uncollateralized certificates of deposit, banker's acceptances, commercial paper, or securities issued by a state or local government at any one time. The District has no investment policy that would further limit its investment choices. Cash equivalents are funds with maturity of 90 days or less. The District had funds of \$1,644,092 which were held in Federal Home Loan Mortgage Co Investments.

Credit Risk – Credit Risk the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. More specifically, custodial risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All investments held by the District are insured or collateralized with securities held by the District or by the financial institution in the District's name.

Interest Rate Risk

The District regularly reviews investment amounts, rates, duration and current market values of the funds invested. As a means of managing the District's exposure to fair value losses arising from increasing interest rates, the District primarily purchases investments with a maturity of less than three months. No investments in Money Market Accounts or Certificates of Deposit were in excess of federally insured limits.

Concentration of Credit Risk

The District's investment policy places no limit on the amount the District may invest in any one issuer.

BARREN COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

5. Capital Assets:

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

	Balance July 1, 2013	Additions	Disposals	Balance June 30, 2014
Governmental Activities				
Capital Assets, not being Depreciated:				
Land	\$ 1,985,095	\$ -	\$ -	\$ 1,985,095
Construction in Progress	-	621,720	-	621,720
Total Capital Assets, not being Depreciated	1,985,095	621,720	-	2,606,815
Capital Assets, being Depreciated:				
Buildings & Equipment	86,445,045	-	-	86,445,045
Technology Equipment	1,665,500	240,941	(57,200)	1,849,241
Technology Equipment - Adult Ed	47,939	-	-	47,939
Vehicles	5,984,617	30,891	(555,073)	5,460,435
General Equipment	2,235,586	37,869	(108,465)	2,164,990
Total Capital Assets, being Depreciated	96,378,687	309,701	(720,738)	95,967,650
Less Accumulated Depreciation:				
Buildings & Equipment	(23,624,287)	(1,701,121)	-	(25,325,408)
Technology Equipment	(1,509,237)	(108,718)	56,994	(1,560,961)
Technology Equipment - Adult Ed	(47,939)	-	-	(47,939)
Vehicles	(3,441,361)	(433,509)	555,073	(3,319,797)
General Equipment	(1,797,556)	(57,067)	97,131	(1,757,492)
Total Accumulated Depreciation	(30,420,380)	(2,300,415)	709,198	(32,011,597)
Governmental Activities Capital Assets - Net	<u>\$ 67,943,402</u>	<u>\$ (1,368,994)</u>	<u>\$ (11,540)</u>	<u>\$ 66,562,868</u>
Proprietary Activities				
Capital Assets, being Depreciated:				
Buildings & Equipment	\$ 7,322,067	-	\$ -	7,322,067
Technology Equipment	9,790	-	-	9,790
Vehicles	7,100	-	-	7,100
General Equipment	2,057,737	-	(41,316)	2,016,421
Total Capital Assets being Depreciated	9,396,694	-	(41,316)	9,355,378
Less Accumulated Depreciation:				
Buildings & Equipment	(2,182,629)	\$ (146,228)	-	(2,328,857)
Technology Equipment	(9,790)	-	-	(9,790)
Vehicles	(2,485)	(1,420)	-	(3,905)
General Equipment	(1,310,636)	(124,756)	37,347	(1,398,045)
Total Accumulated Depreciation	(3,505,540)	(272,404)	37,347	(3,740,597)
Proprietary Activities Capital Assets - Net	<u>\$ 5,891,154</u>	<u>\$ (272,404)</u>	<u>\$ (3,969)</u>	<u>\$ 5,614,781</u>

Depreciation expense was not allocated to governmental functions. It appears on the statement of activities as "unallocated".

**BARREN COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

6. Bonded Debt and Lease Obligations:

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

Issue	Original Amount	Maturity Date	Interest Rates
Issue of 2001 (Barren Co. High School)	\$ 1,457,600	July 1, 2014	-
Issue of 2004 Remaining	\$ 1,265,000	August 1, 2014	3.5% - 5.00%
Issue of 2005 (Refunding of 1996)	\$ 2,810,000	August 1, 2016	3.0% - 3.7%
Issue of 2006	\$ 12,040,000	August 1, 2016	3.5% - 4.375%
Issue of 2008 A	\$ 1,270,000	October 1, 2025	2.4% - 4.375%
Issue of 2008 B	\$ 10,210,000	September 1, 2028	3.0% - 4.875%
Issue of 2008 Energy	\$ 1,740,000	September 1, 2017	2.5% - 4.5%
Issue of 2009 (Refunding of 98)	\$ 6,435,000	October 1, 2018	2.0% - 3.0%
Issue of 2010 (Refunding of 2001)	\$ 3,645,000	June 1, 2021	2.0% - 2.75%
Issue of 2010 (Refunding of 2002)	\$ 4,580,000	February 1, 2022	.7% - 3.1%
Issue of 2010	\$ 1,920,000	December 1, 2030	1.0% - 4.125%
Issue of 2011	\$ 3,085,000	March 1, 2029	1.0% - 3.5%
Issue of 2011 QZAB	\$ 2,000,000	September 1, 2028	4.75%
Issue of 2012 (Refunding of 2004)	\$ 11,620,000	August 1, 2024	3.8% - 5.0%
Issue of 2014	\$ 1,615,000	August 1, 2034	1.0% - 4.0%

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

In July, 2001, the Board approved issuance of Qualified Zone Academy Bonds in the amount of \$1,457,600. This required an initial investment by the School District of \$817,320, which at maturity in 2014, will be sufficient to defease the total principal. This \$817,320 investment is included on the financial statement as restricted debt service fund balance at market value of \$1,455,420.

In October, 2002, the Board approved the issuance of refunding revenue bonds in the amount of \$3,370,000. These proceeds were used to call the remainder of the outstanding bonds of the issue of 1993.

In August, 2004, the Board issued bonds in the amount of \$14,120,000. These funds were used in the construction of elementary schools. This issue was refinanced with the 2012 issue; however, the refinance included having the District responsible for 1,265,000 of the previous issue and the refinance proceeds remain in escrow and will be paid out through fiscal year 2015 for the remainder.

In February, 2005, the Board approved the issuance of refunding revenue bonds in the amount of \$2,810,000. The proceeds were used to call the remainder of the outstanding bonds of the issue of 1996.

In August, 2006, the Board issued bonds in the amount of \$12,040,000. These funds were used in the construction of the Trojan Academy.

BARREN COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

6. Bonded Debt and Lease Obligations:

In August, 2008, the Board issued revenue bonds in the amount of \$1,270,000. These funds were used in the completion of Trojan Academy.

On September 11, 2008 the District issued energy conservation revenue bonds, Series 2008, in the amount of \$1,740,000.

On September 17, 2008 the District issued school building revenue bonds, Series 2008B, in the amount of \$10,210,000. The bonds were issued to finance the construction of North Jackson Elementary School.

In January, 2009, the Board approved the issuance of refunding revenue bonds in the amount of \$6,435,000. These proceeds were used to call the remainder of the outstanding bonds of the issue of 1998.

In August, 2010, the Board approved the issuance of refunding revenue bonds in the amount of \$3,645,000. These proceeds were used to call the remainder of the outstanding bonds of the issue of 2001.

In August, 2010, the Board approved the issuance of refunding revenue bonds in the amount of \$4,580,000. These proceeds were used to call the remainder of the outstanding bonds of the issue of 2002.

In November, 2010, the District issued school building revenue bonds, Series 2010, in the amount of \$1,920,000. The bonds were issued to finance the construction for the expansion of North Jackson Elementary School.

In August, 2011, the District issued school building revenue bonds, Series 2011, in the amount of \$3,085,00. The bonds were issued to finance the construction for the expansion at the Barren County High School as well as the ROTC facility.

In August, 2011, the Board approved issuance of Qualified Zone Academy Bonds in the amount of \$2,000,000. The bonds were also issued to finance the construction for the expansion at the Barren County High School as well as the ROTC facility.

In February, 2012, the board approved the issuance of refunding revenue bonds in the amount \$11,620,000. The proceeds were used to call the remainder of the outstanding bonds of the issue of 2004.

In June, 2014, the board approved the issuance of school building revenue bonds, Series 2014, in the amount of 1,615,000. The bonds were issued to finance the renovation of the Barren County High School Media Center.

**BARREN COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

6. Bonded Debt and Lease Obligations, Continued:

In 1991, the District entered into “participation agreements” with the Kentucky School Facility Construction Commission. The Commission was created by Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The District also entered into “participation agreements” with the Internal Revenue Service (IRS). Section 54A of the Internal Revenue Code provide rules for the issuance and use of qualified tax credit bonds for qualified zone academy bonds, QZAB. The table below sets forth the amount to be paid by the District as well as the Commission and IRS for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and as such, the total principal outstanding has been recorded in the financial statements.

In fiscal year 2014, due to the United States federal government budget sequestration, the District was responsible for an additional payment of \$7,314 for the 2011 QZAB Bond issue.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission and IRS, at June 30, 2014, for debt service (principal and interest) are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Participation</u>	<u>District's Portion</u>
2014-15	4,417,600	1,800,385	622,306	5,595,679
2015-16	3,105,000	1,738,291	706,534	4,136,757
2016-17	3,180,000	1,652,609	687,860	4,144,749
2017-18	3,230,000	1,563,847	347,369	4,446,478
2018-19	3,290,000	1,467,625	604,848	4,152,777
2019-20	3,275,000	1,371,818	492,549	4,154,269
2020-21	3,380,000	1,270,533	491,149	4,159,384
2021-22	3,495,000	1,157,162	489,486	4,162,676
2022-23	3,625,000	1,028,547	492,491	4,161,056
2023-24	3,755,000	901,734	490,428	4,166,306
2024-25	3,885,000	768,309	485,813	4,167,496
2025-26	3,755,000	319,849	466,233	3,608,616
2026-27	3,885,000	452,487	436,944	3,900,543
2027-28	2,215,000	316,926	311,741	2,220,185
2028-29	4,125,000	167,744	257,690	4,035,054
2029-30	590,000	61,160	174,254	476,906
2030-31	600,000	38,639	162,066	476,573
2030-32	410,000	19,356	113,350	316,006
2030-33	100,000	9,600	109,600	-
2030-34	105,000	5,500	110,500	-
2030-35	85,000	1,700	86,700	-
	<u>\$ 54,507,600</u>	<u>\$ 16,113,821</u>	<u>\$ 8,139,911</u>	<u>\$ 62,481,510</u>

**BARREN COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

6. Bonded Debt and Lease Obligations, Concluded:

Long-term debt activities for the year ended June 30, 2014, are as follows:

	Balance June 30, 2013	Additions	Debt Payments and Reductions	Balance June 30, 2014	Amount Due Within One Year
Series 2001	1,457,600	-	-	1,457,600	1,457,600
Series 2004 Remaining	845,000	-	415,000	430,000	430,000
Series 2005 Ref 96	1,060,000	-	250,000	810,000	260,000
Series 2006	10,735,000	-	250,000	10,485,000	260,000
Series 2008A	1,085,000	-	40,000	1,045,000	40,000
Series 2008B	9,215,000	-	270,000	8,945,000	280,000
Series 2008 Energy	1,600,000	-	45,000	1,555,000	50,000
Series 2009	4,185,000	-	675,000	3,510,000	675,000
Series 2010 Ref 01	3,155,000	-	340,000	2,815,000	345,000
Series 2010 Ref 02	4,255,000	-	285,000	3,970,000	285,000
Series 2010	1,820,000	-	45,000	1,775,000	50,000
Series 2011	2,960,000	-	130,000	2,830,000	135,000
Series 2011 QZAB	2,000,000	-	-	2,000,000	-
Series 2012	11,410,000	-	145,000	11,265,000	150,000
Series 2014	-	1,615,000	-	1,615,000	-
	<u>\$ 55,782,600</u>	<u>\$ 1,615,000</u>	<u>\$ 2,890,000</u>	<u>\$54,507,600</u>	<u>\$ 4,417,600</u>

7. Capital Lease Payable:

The following is an analysis of the leased property under capital lease by class:

<u>Class of Property</u>	<u>Book Value as of June 30, 2014</u>
Buses, at cost	\$ 3,838,736
Equipment, at cost	19,980
Accumulated Depreciation	<u>(1,796,355)</u>
Net Book Value	<u>\$ 2,062,361</u>

**BARREN COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

7. Capital Lease Payable, Concluded:

The following is a schedule by years of the future minimum lease payments under capital lease together with the present value of the net minimum lease payments as of June 30, 2014:

Year Ending <u>June 30</u>	Capital Lease <u>Payable</u>
2015	\$ 435,688
2016	405,364
2017	355,730
2018	302,019
2019	283,743
Thereafter	<u>607,784</u>
Total Minimum Lease Payments	2,390,328
Less: Amount representing interest	<u>(243,380)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 2,146,948</u>

8. Commitments Under Noncapitalized Leases:

Commitments under operating lease agreements for office equipment provide for minimum future rental payments as of June 30, 2014, as follows:

Year ending June 30:	
2015	<u>\$ 115,889</u>
Total Minimum Rentals	<u>\$ 115,889</u>

Operating lease expense for the year ended June 30, 2014 was \$112,721.

BARREN COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

9. Retirement Plans:

The Barren County Board of Education contributes to the Teachers' Retirement System of Kentucky (KTRS), as cost sharing, multiple employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky.

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 can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601.

Contribution rates are established by KTRS. Members are required to contribute 11.355% of their salaries to KTRS for retirement and an additional 1.5% for insurance benefits. The Commonwealth of Kentucky is required to contribute 14.605%. The federal program for any salaries paid by that program pays the matching contributions. KTRS requires that members of KTRS occupy a position requiring either four (4) year college degree or certification by KY Department of Education (KDE).

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System ("CERS"), a cost sharing, multiple-employer, and public employer's retirement system. Funding for the Plan is provided through payroll withholdings of 5.00% and a District contribution of 18.89% of the employee's total compensation subject to contribution. Effective September 1, 2008, new members are required to contribute 6% of their salaries.

The District's total payroll for the year was \$27,132,503. The payroll for employees covered under KTRS was \$20,109,763 and for CERS was \$6,991,634. For the year ended June 30, 2014, the District contributed \$1,968,885 through federal grants and the Commonwealth contributed \$287,867 from federal grant monies to KTRS in matching contributions for federally funded employees.

The contribution requirement for CERS for the year ended June 30, 2014, was \$1,461,214 which consisted of \$1,147,053 from the Board and \$314,161 from the employees.

Benefits under both plans will vary based on final compensation, years of service and other factors as fully described in the Plan documents.

The actuarial accrued liability is a standardized disclosure measure of the present value of pension benefits, adjusted for effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the pensions' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and making comparisons among the plans and employers.

KTRS and CERS do not make separate measurements of assets and pension benefits obligation for individual employers. The following table presents certain information regarding the Plans' status as a whole, derived from actuarial valuations performed as of the dates indicated:

**BARREN COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

9. Retirement Plans, Continued:

	CERS as of June 30, 2013	CERS as of June 30, 2012
	(In Thousands)	
Actuarial value of assets	\$ 7,438,785	\$ 7,294,615
Actuarial accrued liabilities	12,503,081	12,149,560
Unfunded actuarial accrued liabilities	\$ (5,064,296)	\$ (4,854,945)

The following table presents the last three years of the total of all employer contributions to the Plan and the District's contributions for the year ended June 30:

Total Plan Contributions CERS			
	Annual Required	Actual	Percentage
<u>Fiscal Year Ended</u>	<u>Contributions</u>	<u>Contributions</u>	<u>Contributed</u>
2013	\$490,475,114	\$454,906,887	92.75%
2012	\$476,185,027	\$447,661,027	94.01%
2011	\$432,414,052	\$435,404,150	100.69%

District's Contributions CERS			
	Annual Required	Actual	Percentage
<u>Fiscal Year Ended</u>	<u>Contributions</u>	<u>Contributions</u>	<u>Contributed</u>
2014	\$1,147,053	\$1,147,053	100.00%
2013	\$1,263,723	\$1,263,723	100.00%
2012	\$1,191,192	\$1,191,192	100.00%

	KTRS as of June 30, 2013	KTRS as of June 30, 2012
	(In Thousands)	
Actuarial value of assets	\$ 14,962,800	\$ 14,691,400
Actuarial accrued liabilities	28,817,200	26,973,900
Unfunded actuarial accrued liabilities	\$ (13,854,400)	\$ (12,282,500)

**BARREN COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

9. Retirement Plans, Continued:

Total Plan Contributions KTRS			
<u>Fiscal Year Ended</u>	<u>Annual Required Contributions</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
June 30, 2013	\$ 802,984,644	\$ 568,233,440	71%
June 30, 2012	\$ 757,822,190	\$ 557,339,552	74%
June 30, 2011	\$ 678,700,000	\$ 1,038,411,000	153%

District's Contributions KTRS			
<u>Fiscal Year Ended</u>	<u>Annual Required Contributions</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
June 30, 2014	\$2,256,753	\$2,256,753	100.00%
June 30, 2013	\$2,337,935	\$2,337,935	100.00%
June 30, 2012	\$2,819,155	\$2,819,155	100.00%

Ten-year historical trend information showing KTRS's and CERS's progress in accumulating sufficient assets to pay benefits when due is presented in their June 30, 2013 comprehensive annual financial reports.

As the District is only one of several employers participating in the Plan, it is not practicable to determine the District's portion of the unfunded past service cost or the vested benefits of the District's portion of the Plan assets.

The District also offers employees the option to participate in a defined contribution plan under Section 403(B), 401(K) and 457 of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum amount allowable by law. The District does not contribute to these plans. For the year ended June 30, 2014, employees contributed approximately \$213,640 to the plan.

10. Medical Insurance Plan:

Plan description – In addition to the pension benefits described above, KRS 161.675 requires KTRS to provide post-retirement healthcare benefits to eligible members and dependents. The KTRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan. Changes 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 full service or disability. The KTRS Medical Insurance Fund offers coverage to members under the age of 65 through Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through KTRS Medicare Eligible Health Plan.

BARREN COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

10. Medical Insurance Plan, Concluded:

Funding Policy – The post-retirement healthcare provided by KTRS is financed on a pay-as-you-go basis. In order to fund the post-retirement healthcare benefit, 1.5% of the gross annual payroll of all members is contributed. One-half (1/2) of this amount is derived from member contribution and one-half (1/2) from State appropriation. Also, the premiums collected from retirees as described in the Plan description and investment interest help meet the medical expenses of the Plan.

11. Contingencies:

The District receives funding from Federal, State and Local government agencies and private contributions. These funds are to be used for designated purposes only. For governmental agency grants, if based upon the grantor's review, the funds are considered not to have been used for the intended purpose, the grantor's 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 grantor's intent to continue their programs.

In addition, the District operates in a heavily regulated environment. The operations of the District are subject to the administrative directive, rules and regulations of federal and state regulatory agencies, including, but not limited to, the U.S. Department of Education and the Kentucky Department of Education. Such administrative directives, rules and regulations are subject to change by an act of Congress or the Kentucky Legislature or an administrative change mandated by the Kentucky Department of Education. Such changes may occur with little or inadequate funding to pay for the related costs, including the additional burden to comply with change.

12. Insurance and Risk Management:

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

In prior years, the District obtained workers' compensation and general liability insurance through the Kentucky School Boards Insurance Trust ("KSBIT"), a public entity risk pool for school districts. To address actuarial deficits, KSBIT is issuing all former members assessments for prior years and ceased to operate after June 30, 2013. Barren County Board of Education had an assessment of \$99,526. The District paid \$24,881 in the current year and has an unpaid balance of \$74,644 which is recorded in the District-Wide Statement of Net Position. This balance will be paid over the next three years.

**BARREN COUNTY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

13. COBRA:

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

14. Transfer of Funds:

The following transfers were made during the year:

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Capital Outlay	General	Facilities	\$ 308,801
Special Revenue	General	Facilities	\$ 8,939
General	Special Revenue	KETS Match	\$ 69,045
Debt Service	Construction	Bond Issuance	\$ 1,576,042
Special Revenue	Debt Service	Debt	\$ 84,938
Capital Outlay	Debt Service	Debt	\$ 126,450
General	Debt Service	Debt-KISTA	\$ 462,671
General	Debt Service	Debt	\$ 111,443
Building	Debt Service	Debt	\$ 3,909,318

15. Litigation:

The District is subject to various legal actions in various stages of litigation, the outcome of which is not determined at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the combined financial statements as a result of the cases presently in progress.

16. Subsequent Events:

Subsequent events were evaluated by management through November 5, 2014, the date which the financial statements were available to be issued.

17. Prior Period Adjustment:

The beginning net position of the Governmental Activities in the governmental-wide Statement of Activities has been restated. The restatement was due to the removal of cash held in escrow and associated debt for a refinance of the 2004 School Revenue Bonds. Assets were reduced by \$10,965,205, liabilities were reduced by \$10,483,637, and net position was reduced by \$481,568. The restatement had no impact on the current year change in net position.

REQUIRED SUPPLEMENTARY INFORMATION

BARREN COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
From local sources:				
Taxes:				
Property	\$ 6,023,899	\$ 6,023,899	\$ 6,013,253	\$ (10,646)
Motor vehicles	860,000	860,000	879,012	19,012
Utilities	1,772,500	1,772,500	1,988,039	215,539
Earnings on investments	20,000	20,000	32,702	12,702
Other local revenues	283,000	283,000	270,056	(12,944)
Intergovernmental-state	18,745,023	18,745,023	25,721,485	6,976,462
Intergovernmental-direct federal	120,000	120,000	158,766	38,766
Total revenues	<u>27,824,422</u>	<u>27,824,422</u>	<u>35,063,313</u>	<u>7,238,891</u>
Expenditures:				
Instruction	16,503,526	16,503,526	20,656,748	(4,153,222)
Support services:				
Student	993,145	993,145	1,237,622	(244,477)
Instructional staff	657,253	657,253	742,156	(84,903)
District administration	2,591,240	2,591,240	1,187,124	1,404,116
School administration	1,766,856	1,766,856	2,090,247	(323,391)
Business	681,235	681,235	890,959	(209,724)
Plant operations and maintenance	3,261,738	3,261,738	4,113,235	(851,497)
Student transportation	2,489,072	2,489,072	3,055,601	(566,529)
Facilities acquisition and construction	95,678	95,678	91,432	4,246
Total expenditures	<u>29,039,743</u>	<u>29,039,743</u>	<u>34,065,124</u>	<u>(5,025,381)</u>
Excess (deficit) of revenues over expenditures	<u>(1,215,321)</u>	<u>(1,215,321)</u>	<u>998,189</u>	<u>2,213,510</u>
Other financing sources (uses):				
Proceeds from sale of fixed assets	26,000	26,000	57,438	31,438
KISTA reimbursement	-	-	28,041	28,041
KSBIT payment	-	-	(24,881)	(24,881)
Operating transfers in	305,669	305,669	317,740	12,071
Operating transfers out	(654,348)	(654,348)	(643,159)	11,189
Total other financing sources (uses)	<u>(322,679)</u>	<u>(322,679)</u>	<u>(264,821)</u>	<u>57,858</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(1,538,000)	(1,538,000)	733,368	2,271,368
Fund balance, July 1, 2013	<u>2,071,544</u>	<u>2,071,544</u>	<u>2,071,544</u>	-
Fund balance, June 30, 2014	<u>\$ 533,544</u>	<u>\$ 533,544</u>	<u>\$ 2,804,912</u>	<u>\$ 2,271,368</u>

BARREN COUNTY BOARD OF EDUCATION
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 Favorable (Unfavorable)
	Original	Final		
Revenues:				
From local sources:				
Earnings on investments	\$ -	\$ -	\$ 980	\$ 980
Fees	-	-	-	-
Other local revenues	428,000	428,000	524,505	96,505
Intergovernmental-state	2,686,899	2,686,899	2,197,879	(489,020)
Intergovernmental-indirect federal	4,416,913	4,416,913	4,816,989	400,076
Total revenues	<u>7,531,812</u>	<u>7,531,812</u>	<u>7,540,353</u>	<u>8,541</u>
Expenditures:				
Instruction	6,286,594	6,286,594	6,149,071	137,523
Student	111,708	111,708	103,249	8,459
Instructional staff	156,562	156,562	21,911	134,651
District administration	397,720	397,720	889,857	(492,137)
Plant operations and maintenance	-	-	-	-
Student transportation	6,800	6,800	4,503	2,297
Community service activities	556,210	556,210	346,930	209,280
Total expenditures	<u>7,515,594</u>	<u>7,515,594</u>	<u>7,515,521</u>	<u>(73)</u>
Excess (deficit) of revenues over expenditures	<u>16,218</u>	<u>16,218</u>	<u>24,832</u>	<u>8,614</u>
Other financing sources (uses):				
Operating transfers in	70,000	70,000	69,045	(955)
Operating transfers out	(86,218)	(86,218)	(93,877)	(7,659)
Total other financing sources (uses)	<u>(16,218)</u>	<u>(16,218)</u>	<u>(24,832)</u>	<u>(8,614)</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	-	-	-	-
Fund balance, July 1, 2013	-	-	-	-
Fund balance, June 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SUPPLEMENTARY INFORMATION

**BARREN COUNTY BOARD OF EDUCATION
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2014**

	Seek Capital Outlay Fund	Building Fund	Total Nonmajor Governmental Funds
Assets and resources:			
Cash and cash equivalents	\$ -	\$ -	\$ -
Total Assets and Resources	-	-	-
Liabilities and fund balance:			
Liabilities:			
Accounts payable	-	-	-
Total Liabilities	-	-	-
Fund balances:			
Reserved for:			
Other	-	-	-
Unreserved:			
Undesignated:	-	-	-
Total fund balances	-	-	-
Total Liabilities and Fund Balances	\$ -	\$ -	\$ -

BARREN COUNTY BOARD OF EDUCATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

	Seek Capital Outlay Fund	Building Fund	Total Nonmajor Governmental Funds
Revenues:			
From local sources:			
Taxes:			
Property	\$ -	\$ 2,261,250	\$ 2,261,250
Intergovernmental-state	435,251	1,648,068	2,083,319
Total revenues	<u>435,251</u>	<u>3,909,318</u>	<u>4,344,569</u>
Expenditures:			
Support services:			
Plant operations and maintenance	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficit) of revenues over expenditures	<u>435,251</u>	<u>3,909,318</u>	<u>4,344,569</u>
Other financing sources (uses):			
Operating transfers out	(435,251)	(3,909,318)	(4,344,569)
Total other financing sources (uses)	<u>(435,251)</u>	<u>(3,909,318)</u>	<u>(4,344,569)</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	-	-	-
Fund balance, July 1, 2013	-	-	-
Fund balance, June 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

BARREN COUNTY BOARD OF EDUCATION
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES – BARREN COUNTY HIGH
SCHOOL ACTIVITY FUNDS
For the Year Ended June 30, 2014

	Cash Balance	(1)	(1)	Cash Balance	Accounts	Accounts	Balance
	June 30, 2013	Receipts	Disbursements	June 30, 2014	Receivable	Payable	June 30, 2014
ATHLETIC BOOSTER CLUB	\$ 8,295	\$ 16,847	\$ 21,165	\$ 3,977	\$ -	\$ -	\$ 3,977
ACADEMIC TEAM	1,184	1,200	603	1,781	-	-	1,781
AFTER PROM	3,356	-	3,356	-	-	-	-
AG SHOP	294	1,140	1,014	420	-	-	420
AGRICULTURE	530	2,889	2,718	701	-	-	701
AMAZING COFFEE SHOP	833	6,214	3,903	3,144	-	-	3,144
APPLIED SCIENCE	489	-	352	137	-	-	137
ART	2,365	1,675	1,744	2,296	-	-	2,296
ATHLETIC	58,253	151,594	155,238	54,609	-	792	53,817
BAND	5,427	62,927	58,748	9,606	100	77	9,629
BASEBALL	2,068	36,971	33,033	6,006	-	-	6,006
BARREN BEYOND THE BELL	2,114	2,365	4,479	-	-	-	-
BETA CLUB	803	23,337	19,671	4,469	-	-	4,469
BIOMED	-	3,055	2,581	474	-	-	474
BOOSTER/VENDING	2,929	7,384	7,793	2,520	-	-	2,520
BOWLING	475	450	455	470	-	-	470
BOYS BASKETBALL	2,367	13,301	15,106	562	-	432	130
BOYS GOLF	3,418	9,025	6,982	5,461	-	-	5,461
BROADCASTING	5	873	499	379	-	-	379
BUSINESS	627	2,208	2,831	4	-	-	4
CHEERLEADERS	5,002	81,749	75,957	10,794	-	322	10,472
CROSS COUNTRY BOYS BDGT.	579	3,250	3,339	490	-	-	490
DANCE TEAM	702	4,843	3,675	1,870	-	-	1,870
DRAMA OF BARREN BEYOND THE BELL	10,110	25,242	30,786	4,566	-	-	4,566
ENGINEER	-	300	-	300	-	-	300
ENVIROTHON CLUB	440	150	-	590	-	-	590
FACS	-	1,099	826	273	-	-	273
FBLA	1,791	11,888	9,578	4,101	-	-	4,101
FCA	1,473	-	291	1,182	-	-	1,182
FEA	59	159	208	10	-	-	10
FFA	5,301	55,816	54,374	6,743	-	6	6,737
FCCLA	22	4,525	4,544	3	-	-	3
FMD 1	723	300	259	764	-	-	764
FMD 2	352	300	310	342	-	-	342
FLOWER FUND	757	6,844	6,393	1,208	-	-	1,208
FOOTBALL	34,574	51,729	63,905	22,398	-	-	22,398
FOREIGN LANGUAGE	2,425	3,362	5,138	649	-	-	649
FRESHMEN	-	6,781	6,781	-	-	-	-
GENERAL	7,500	49,171	53,354	3,317	107	-	3,424
GIRLS BASKETBALL	6,415	7,640	6,893	7,162	-	-	7,162
GIRLS CROSS COUNTRY BDGT.	-	-	-	-	-	-	-
GIRLS GOLF	1,665	5,525	6,078	1,112	-	-	1,112
GIRLS SOFTBALL	3,757	15,234	14,307	4,684	-	325	4,359
GREENHOUSE	4,795	7,622	4,484	7,933	-	-	7,933
GREEN TEAM	511	320	88	743	-	-	743
HELP DESK	2,977	968	272	3,673	-	-	3,673
JUNIORS	3,180	20,609	20,923	2,866	-	-	2,866
JROTC	6,742	16,442	18,275	4,909	-	-	4,909
KEY CLUB	2,280	-	2,280	-	-	-	-
LIBRARY FUND	2,551	50	-	2,601	-	-	2,601
MAGNET SCHOOL	206	407	542	71	-	-	71
MAINTENANCE	490	8,075	8,514	51	-	-	51
ORCHESTRA	352	2,111	2,326	137	-	-	137
COPY PAPER ACCOUNT	13,486	10,000	23,486	-	-	-	-
PEP CLUB	4,691	3,073	7,680	84	-	-	84
PHYSICAL EDUCATION	657	3,112	2,784	985	-	-	985
PROJECT GRADUATION ACTIVITIES	11,506	100	11,606	-	-	-	-
RECIPES FOR SUCCESS	197	7,846	7,173	870	-	-	870
SADD	245	1,171	769	647	-	-	647
SCHEDULES	1,046	51,556	48,528	4,074	-	-	4,074
SCHOOL STORE	2,469	299	2,768	-	-	-	-
SCIENCE	142	4,110	4,077	175	-	-	175
SENIORS	10,637	10,162	12,892	7,907	-	-	7,907
SOCCER, BOYS	2,489	10,186	7,676	4,999	-	-	4,999
SOCCER, GIRLS	1,533	1,354	2,534	353	-	-	353
SOCIAL STUDIES CLUB	24	146	36	134	-	-	134
SOPHOMORES	1,226	3,041	2,866	1,401	-	-	1,401
STUDENT COUNCIL	897	-	-	897	-	-	897
SWIMMING	160	1,250	758	652	-	-	652
TENNIS	4,937	3,719	3,002	5,654	-	-	5,654
TEXTBOOKS	646	462	659	449	-	-	449
TRACK, BOYS	314	2,500	2,699	115	-	-	115
TROJAN BASS FISHING CLUB	660	350	274	736	-	-	736
TROJAN SPORTS SHOP	6,160	20,303	22,049	4,414	-	-	4,414
VENDING MACHINES	6,363	25,464	28,663	3,164	-	-	3,164
VIDEO	4,777	430	117	5,090	-	-	5,090
VOLLEYBALL	-	12,976	10,014	2,962	-	-	2,962
WRESTLING	918	3,116	4,034	-	-	-	-
Y CLUB	-	7,929	7,682	247	-	-	247
YEARBOOK	33,599	17,771	17,656	33,714	-	-	33,714
THE ZONE	8,732	8,194	8,224	8,702	-	-	8,702
INVESTMENT INCOME	7,598	811	-	8,409	-	-	8,409
	<u>329,672</u>	<u>\$ 947,397</u>	<u>987,677</u>	<u>289,392</u>	<u>207</u>	<u>1,954</u>	<u>287,645</u>

(1) Included in receipts and disbursements are Inter-fund transfers in the amount of \$149,734.

**BARREN COUNTY BOARD OF EDUCATION
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES – MIDDLE SCHOOL
AND ELEMENTARY SCHOOLS ACTIVITY FUNDS
For the Year Ended June 30, 2014**

	Cash Balance <u>June 30, 2013</u>	(1) <u>Receipts</u>	(1) <u>Disbursements</u>	Cash Balance <u>June 30, 2014</u>	Accounts <u>Receivable</u>	Accounts <u>Payable</u>	Fund Balance <u>June 30, 2014</u>
BARREN CO. MIDDLE SCHOOL	\$ 45,137	\$ 294,554	\$ 292,146	\$ 47,545	\$ -	\$ 3,460	\$ 44,085
BARREN CO. DAY TREATMENT CENTER	159	1,034	808	385	-	-	385
AUSTIN-TRACY ELEMENTARY	51,143	99,065	88,254	61,954	55	-	62,009
EASTERN ELEMENTARY	49,167	118,245	117,857	49,555	136	105	49,586
HISEVILLE ELEMENTARY	44,072	59,984	62,691	41,365	-	-	41,365
NORTH JACKSON ELEMENTARY	41,131	231,497	242,102	30,526	-	-	30,526
PARK CITY ELEMENTARY	29,547	97,572	86,444	40,675	19	-	40,694
RED CROSS ELEMENTARY	123,259	233,985	212,382	144,862	-	536	144,326
TEMPLE HILL ELEMENTARY	21,647	156,267	151,764	26,150	-	-	26,150
TOTAL	<u>\$ 405,262</u>	<u>\$ 1,292,203</u>	<u>\$ 1,254,448</u>	<u>\$ 443,017</u>	<u>\$ 210</u>	<u>\$ 4,101</u>	<u>\$ 439,126</u>

**BARREN COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2014**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture:</u>			
Passed-through State Department of Education:			
Child Nutrition Cluster			
School Breakfast Program	10.553	7760002 13/14	\$ 427,654
National School Lunch Program	10.555	7750002 13/14	1,217,836
Summer Meal Program	10.559	7740023 13/14	<u>16,274</u>
Total Child Nutrition Cluster			<u>1,661,764</u>
Passed-through State Department of Agriculture:			
Food distribution/Commodities	10.051	775000 13/14	<u>177,973</u>
Total Department of Agriculture			<u><u>\$ 1,839,737</u></u>
<u>Corporation for National Community Services:</u>			
Americorps	94.006	FAP111-44-00	<u>\$ 701,212</u>
Total National Community Services			<u><u>\$ 701,212</u></u>
<u>U.S. Department of Education:</u>			
Passed-through State Department of Education:			
Special Education Cluster (IDEA)-Cluster			
Special Education	84.027	3810002	\$ 897,736
Special Education Preschool	84.173	3800002	<u>13,000</u>
Total Special Education Cluster			<u>\$ 910,736</u>
Title I	84.010	3100002	\$ 996,355
Migrant	84.011	3110002	853,798
Title II: (Improving Teacher Quality)	84.367	3230002	171,498
Vocation Education	84.048	4621110	38,051
Twenty-First Century	84.287	3400002	898,759
Rural Education	84.358	3140002	83,794
English Language Acquisition	84.365	3300002	40,492
Race to the Top	84.413	3960002	<u>16,205</u>
Total Other Programs			<u>3,098,952</u>
Total Department of Education			<u>\$ 4,009,688</u>
Total Federal Assistance			<u><u>\$ 6,550,637</u></u>

BARREN COUNTY BOARD OF EDUCATION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2014

1. Basis of Presentation:

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

2. Food Distribution:

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities disbursed.

**BARREN COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2014**

I. SUMMARY OF AUDITORS RESULTS

Financial Statements

Type of auditor's report issued (unmodified):

Internal Control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None Reported
- Noncompliance material to financial Statements noted? _____ Yes X No

Federal Awards

Internal Control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None Reported

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

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

Identification of Major Programs:

Federal Grantor/Program Title	CFDA Number
U.S. Department of Education	
Passed Through Kentucky Department of Education:	
Special Education Cluster	
Special Education	84.027
Special Education Preschool	84.173
Title I	84.010

Dollar threshold used to distinguish Between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes _____ No

**BARREN COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2014**

II. FINANCIAL STATEMENTS FINDINGS

Current Year Findings

A. None Reported.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

B. None Reported.

**BARREN COUNTY BOARD OF EDUCATION
SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2014**

No prior year audit findings



Cindy L. Greer, CPA ▪ L. Joe Rutledge, CPA ▪ Jonathan W. Belcher, CPA ▪ R. Brent Billingsley, CPA

Skip R. Campbell, CPA ▪ Sammie D. Parsley, CPA ▪ Ryan Mosier, CPA ▪ Jenna B. Pace, CPA ▪ Adam Duvall

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*

Members of the Board of Education
Barren County Board of Education
Glasgow, Kentucky 42141

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Barren County Board of Education as of and for the year ended June 30, 2014 , and the related notes to the financial statements, which collectively comprise Barren County Board of Education's basic financial statements, and have issued our report thereon dated November 5, 2014.

Internal Control Over Financial Reporting

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

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

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

We noted other matters that we reported to management of Barren County Board of Education in a separate letter dated November 5, 2014.

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.

Campbell, Myers & Rutledge, PLLC

Glasgow, Kentucky
November 5, 2014



Cindy L. Greer, CPA ▪ L. Joe Rutledge, CPA ▪ Jonathan W. Belcher, CPA ▪ R. Brent Billingsley, CPA

Skip R. Campbell, CPA ▪ Sammie D. Parsley, CPA ▪ Ryan Mosier, CPA ▪ Jenna B. Pace, CPA ▪ Adam Duvall

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

Members of the Board of Education
Barren County Board of Education
Glasgow, Kentucky 42141

Report on Compliance for Each Major Federal Program

We have audited Barren County Board of Education'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 Barren County Board of Education's major federal programs for the year ended June 30, 2014. Barren County Board of Education'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 Barren County Board of Education's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Barren County Board of Education'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 Barren County Board of Education's compliance.

Opinion on Each Major Federal Program

In our opinion, Barren County Board of Education, 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 Barren County Board of Education 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 Barren County Board of Education'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 Barren County Board of Education'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.

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.

Campbell, Myers & Rutledge, PLLC

Glasgow, Kentucky
November 5, 2014



CAMPBELL, MYERS AND RUTLEDGE, PLLC

Cindy L. Greer, CPA ▪ L. Joe Rutledge, CPA ▪ Jonathan W. Belcher, CPA ▪ R. Brent Billingsley, CPA

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Members of the Board of Education
Barren County Board of Education
Glasgow, Kentucky 42141

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Barren County Board of Education 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 Barren County Board of Education's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Barren County Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of the Barren County Board of Education's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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.

During our audit, we became aware of the following deficiencies in internal control other than significant deficiencies or material weaknesses, and other matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters.

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

This communication is intended solely for the information and use of management, Barren County Board of Education, others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Campbell, Myers & Rutledge, PLLC

Certified Public Accountants

November 5, 2014

**BARREN COUNTY BOARD OF EDUCATION
MANAGEMENT LETTER COMMENTS
June 30, 2014**

PRIOR YEAR FINDINGS

Barren County Day Treatment Center

Prior fiscal year condition: Dual signatures were not present on all checks at The Barren County Day Treatment Center

Observation: Dual signatures were noted on all Activity Fund expenditures selected for examination.

Barren County High School

Prior fiscal year Condition: The Barren County High School issued an expenditure for flower benevolence from an activity fund for an employee.

Observation: No current year disbursements were noted as being issued that did not comply with Red Book Guidelines.

Barren County Middle School

Prior fiscal year Condition: The Barren County Middle School had a fund that ended the year in a deficit balance.

Observation: No activity funds at the Middle School ended the year in a deficit balance.

**BARREN COUNTY BOARD OF EDUCATION
MANAGEMENT LETTER COMMENTS
June 30, 2014**

CURRENT YEAR FINDINGS

Barren County Middle School

Criteria: *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book) sets forth accounting guidelines that requires purchase orders to be completed prior to purchase.

Condition: Vendor invoices were paid without proper approval from an activity fund sponsor.

Cause: All credit card purchases were not accompanied with a purchase order.

Effect: Compliance with *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book) was not achieved.

Recommendation: We recommend that credit card purchases only be initiated by the school bookkeeper after a purchase order is received.

Response: Annual training for *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book) was instituted in FY 2012 and current issues were brought to the attention of administrative personnel for emphasis. The District plans to internally audit this finding over the course of the next year to make sure it is still not occurring.

Barren County Middle School

Criteria: *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book) sets forth accounting guidelines that require deposits to be made daily when there is over \$100 on hand and at a minimum, deposits should be made on a weekly basis.

Condition: The Barren County Middle School was not making deposits timely.

Cause: Receipts were being accumulated on site and not being deposited into the bank account timely.

Effect: Compliance with *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book) was not achieved.

Recommendation: We recommend that deposits be made in conformity with Red Book Guidelines and that the school principal periodically verify this is being done.

Response: Annual training for *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book) was instituted in FY 2012 and current issues were brought to the attention of administrative personnel for emphasis. The District plans to internally audit this finding over the course of the next year to make sure it is still not occurring.

**BARREN COUNTY BOARD OF EDUCATION
MANAGEMENT LETTER COMMENTS
June 30, 2014**

Barren County Middle School

Criteria: *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book) requires that multiple receipt forms be used when collecting money.

Condition: It could not be ascertained as to how many multiple receipt forms had been distributed or received by the school treasurer as deposits were being made with no multiple receipt forms being completed.

Cause: Proper controls were not being maintained over the receipt and distribution of multiple receipt forms.

Effect: Compliance with *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book) was not achieved.

Recommendation: We recommend that the school treasurer keep record of the multiple receipt forms distributed to school teachers and sponsors and require multiple receipt forms accompany deposits.

Response: Annual training for *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book) was instituted in FY 2012 and current issues were brought to the attention of administrative personnel for emphasis. The District plans to internally audit this finding over the course of the next year to make sure it is still not occurring.

Barren County Middle School

Criteria: *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book) requires fundraiser worksheets to be completed for money generated by the fundraiser and signed by the sponsor.

Condition: Fundraiser worksheets were being completed but not signed by the sponsor.

Cause: Fundraiser forms were only signed by the school treasurer and school principal.

Effect: Compliance with *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book) was not achieved.

Recommendation: We recommend that the school treasurer and principal make certain that the sponsors of the fundraiser have signed the fundraiser form.

Response: Annual training for *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book) was instituted in FY 2012 and current issues were brought to the attention of administrative personnel for emphasis. The District plans to internally audit this finding over the course of the next year to make sure it is still not occurring.

**BARREN COUNTY BOARD OF EDUCATION
MANAGEMENT LETTER COMMENTS
June 30, 2014**

Red Cross Elementary

Criteria: *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book) requires that purchase orders be used to initiate a purchase.

Condition: Multiple purchase orders were dated after the vendor invoice.

Cause: Purchase orders were being completed and approved after a purchase was initiated.

Effect: Compliance with *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book) was not achieved.

Recommendation: We recommend that purchase orders be completed prior to the purchase of good or services in order to be in compliance with *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book).

Response: Annual training for *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book) was instituted in FY 2012 and current issues were brought to the attention of administrative personnel for emphasis. The District plans to internally audit this finding over the course of the next year to make sure it is still not occurring.

Park City Elementary

Criteria: *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book) sets forth accounting guidelines require deposits to be made daily when there is over \$100 on hand and at a minimum, deposits should be made on a weekly basis.

Condition: Park City Elementary was not making deposits timely.

Cause: Receipts were being accumulated on site and not being deposited into the bank account timely.

Effect: Compliance with *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book) was not achieved.

Recommendation: We recommend that deposits be made in conformity with Red Book Guidelines and that the school principal periodically verify this is being done.

Response: Annual training for *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book) was instituted in FY 2012 and current issues were brought to the attention of administrative personnel for emphasis. The District plans to internally audit this finding over the course of the next year to make sure it is still not occurring.

BARREN COUNTY BOARD OF EDUCATION
MANAGEMENT LETTER COMMENTS
June 30, 2014

Hiseville Elementary

Criteria: *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book) sets forth guidelines for expenditures.

Condition: A vendor invoice was paid in full when only part of the invoice was for an activity fund.

Cause: The vendor invoice was not being reviewed by personnel approving the transaction.

Effect: Compliance with *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book) was not achieved.

Recommendation: We recommend that the detail of vendor invoices be reviewed before paid.

Response: Annual training for *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book) was instituted in FY 2012 and current issues were brought to the attention of administrative personnel for emphasis. The District plans to internally audit this finding over the course of the next year to make sure it is still not occurring.

Hiseville Elementary

Criteria: *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book) sets forth guidelines for travel reimbursement and that they only be reimbursed from activity funds when students are on a trip.

Condition: Travel reimbursements were being paid from the activity funds when no student activities were involved on the trip.

Cause: Travel reimbursements were not being reviewed for the compliance with *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book).

Effect: Compliance with *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book) was not achieved.

Recommendation: We recommend that the detail of vendor invoices be reviewed before paid.

Response: Annual training for *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book) was instituted in FY 2012 and current issues were brought to the attention of administrative personnel for emphasis. The District plans to internally audit this finding over the course of the next year to make sure it is still not occurring.

**BARREN COUNTY BOARD OF EDUCATION
MANAGEMENT LETTER COMMENTS
June 30, 2014**

Barren County Board of Education

Criteria: *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book) precludes operational expenditures to be paid from school activity fund monies.

Condition: The Board of Education paid an employee from an Activity Fund investment account.

Cause: District employees did not understand that the investment accounts at the Activity Fund level were still subject to Red Book compliance.

Effect: Compliance with *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book) was not achieved.

Recommendation: We recommend that District personnel be better educated on the reason for investment accounts contained within the Activity Funds.

Response: Annual training for *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book) was instituted in FY 2012 and current issues were brought to the attention of administrative personnel for emphasis. The District plans to internally audit this finding over the course of the next year to make sure it is still not occurring and reimburse the Activity Fund for the expenditures.