

Boone County School District

**Financial Statements with Supplementary Information
June 30, 2014
Independent Auditors' Report**

BOONE COUNTY SCHOOL DISTRICT

JUNE 30, 2014

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JUNE 30, 2014

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Independent Auditors' Report

To the Members of the Board of Education
Boone County School District
Florence, Kentucky

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

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 Boone County School District, 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.

**Independent Auditors' Report
(Continued)**

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 3-7 and 14-16 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 Boone County School District's basic financial statements. The combining and individual nonmajor fund financial statements, and statistical section 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.

Reporting Other Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2014 on our consideration of the Boone County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Boone County School District's internal control over financial reporting and compliance.



BOONE COUNTY SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) Year Ended June 30, 2014

As management of the Boone County School District (District), we offer readers of the District's financial statement 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

Boone County Schools' enrollment reached 20,278 students in the 2013-14 fiscal year, an increase of 242 students since the previous school year. Over the last ten years the District's membership has grown by approximately 31%. These students are housed in 23 schools including 4 high schools, 5 middle schools and 14 elementary schools. More than half of these schools exceed their student capacity level.

Student growth has slowed in the most recent years. Thereby the aggressive construction pattern from the years before has continued to decelerate. However, the District completed construction of classroom additions to the newest high school and a more recently constructed elementary school on the same campus. These projects were financed with revenue bonds of \$5,975,000. Bonds are issued as the District modifies its facilities consistent with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations.

The General Fund recognized \$132.9 million in revenue consisting primarily of local property, occupational license, utilities, and motor vehicle taxes and the state program (SEEK) allocation. An additional \$27 million representing payments made on the District's behalf, by the State, for teachers' retirement contribution and employees' health insurance was recognized as revenue. The following shows recent trends in general fund revenues on a per pupil basis (average daily attendance). Current year's revenues show a 2.7% increase in the amount collected.

2013-2014:	\$7,288
2012-2013:	\$7,094
2011-2012:	\$6,804 plus \$149 in federal stimulus funding

The District administered over \$10.6 million in Federal, State and local grants and other programs during the year.

The state's level of support (SEEK) was reduced slightly by \$6 per pupil at the guaranteed base funding level. Per pupil funding for Boone County Schools was at \$2,896, based on prior year average daily attendance factored with a current year growth rate. The comparative statewide average was \$3,987. The SEEK allocation to Boone County Schools continues to be among the lowest in the state. The formula calculating the allocation becomes punitive for districts experiencing growth and rewards districts in economic decline. Because property values in the Boone County School District did not appreciate, funding through SEEK increased by 2% contrary to the reduction in available funding statewide.

Boone County Board of Education collected \$10.5 million in utility taxes and \$10.9 million in occupational license taxes, indicative of a relatively stable economy in Boone County. These permissive taxes account for 16% of general fund revenues providing some relief in the funding gap created by the state's funding formula. Without permissive tax revenues, the Boone County Board of Education would face severe funding deficits, further reducing the per pupil revenues to a level lowest in the state.

BOONE COUNTY SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) (Continued) Year Ended June 30, 2014

FINANCIAL HIGHLIGHTS (Continued)

General Fund expenditures were \$155.3 million. Salaries and related costs total \$136.6 million or 88% of the general operating expenditures. Included in this amount is \$27 million in retirement contributions and insurance benefits paid by the state on the District's behalf.

Boone County Schools are celebrating the results of the Kentucky Performance Rating for Educational Progress (K-PREP) released by the Kentucky Department of Education. The results show that Boone County is a *distinguished district* and in the top 10% of all districts in the Commonwealth.

The success the District has achieved as one of the top performing large school districts in the state is partially credited to the commitment from the city and county governments as well and the business partnerships in the form of donations and other support to our schools. The District has also made a more aggressive effort to obtain competitive grants that will allow the District to achieve and maintain the status of a premier school district.

As of the year ended June 30, 2014, the Boone County Board of Education sustained a stable financial status attributed to conservative spending practices. It is evident the Board has effectively and efficiently managed its resources and at the same time continues to make progress toward education proficiency.

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 are comprised of three components: 1) district-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

The district-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The district-wide financial statements can be found on pages 8 and 9 of this report.

BOONE COUNTY SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) (Continued) Year Ended June 30, 2014

FINANCIAL HIGHLIGHTS (Continued)

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

The basic governmental fund financial statements can be found on pages 10 through 19 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 20 through 35 of this report.

DISTRICT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$114,067,416 as of June 30, 2014.

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

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

BOONE COUNTY SCHOOL DISTRICT

**Management's Discussion and Analysis (MD&A)
(Continued)
Year Ended June 30, 2014**

DISTRICT-WIDE FINANCIAL ANALYSIS (Continued)

Net Position for the periods ending June 30, 2014 and 2013

The following is a summary of net position for the fiscal years ended June 30, 2014 and 2013.

	<u>2014</u>	<u>2013</u>
Current assets	\$ 54,425,945	\$ 51,851,655
Noncurrent assets	<u>281,280,955</u>	<u>284,348,570</u>
Total assets	<u>\$ 335,706,900</u>	<u>\$ 336,200,225</u>
Current liabilities	\$ 26,878,511	\$ 26,246,396
Noncurrent liabilities	<u>185,859,261</u>	<u>194,427,860</u>
Total liabilities	<u>\$ 212,737,772</u>	<u>\$ 220,674,256</u>
Net position		
Investment in capital assets (net of debt)	\$ 84,668,467	\$ 79,510,904
Restricted	14,795,814	21,284,593
Unrestricted	<u>23,504,847</u>	<u>14,730,472</u>
Total net position	<u>\$ 122,969,128</u>	<u>\$ 115,525,969</u>

Comments on General Fund Budget Comparisons

- The District's total revenues in the General Fund for the fiscal year ended June 30, 2014, were \$159,715,853, net of inter-fund transfers, of \$448,063.
- General Fund budgeted revenue compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$33,459,424 more than budget or approximately 25% of General Fund Budget. The majority of this variance is the result of the District recording "on-behalf" payments made by the state.
- General Fund actual expenditures were \$155,113,793, net of inter-fund transfers of \$233,703.
- General Fund actual expenditures were more than budgeted expenditures by \$12,594,054.

BOONE COUNTY SCHOOL DISTRICT

**Management's Discussion and Analysis (MD&A)
(Continued)
Year Ended June 30, 2014**

DISTRICT-WIDE FINANCIAL ANALYSIS (Continued)

The following table presents a summary of revenues and expenses for the fiscal years ended June 30, 2014 and 2013.

	<u>2014</u>	<u>2013</u>
Revenues		
Program revenues		
Charges for services	\$ 4,336,005	\$ 4,701,105
Operating grants	15,557,153	16,412,771
Capital grants	<u>3,995,629</u>	<u>2,939,193</u>
Total grant revenues	<u>23,888,787</u>	<u>24,053,069</u>
General Revenues		
Taxes	98,225,649	92,191,694
Grants and entitlements	79,046,462	76,396,552
Earnings on investments	60,908	121,670
Miscellaneous	<u>1,149,646</u>	<u>1,404,240</u>
Total general revenues	<u>178,482,665</u>	<u>170,114,156</u>
Total revenues	<u><u>\$ 202,371,452</u></u>	<u><u>\$ 194,167,225</u></u>
Expenses		
Instructional	\$ 103,584,098	\$ 104,862,368
Student support services	9,723,846	8,819,834
Staff support	6,125,957	5,940,749
District administration	5,413,706	7,090,125
School administration	10,787,283	10,857,677
Business support	4,405,252	4,506,984
Plant operations	18,565,468	19,844,486
Student transportation	13,943,591	13,629,823
Food service operation	8,598,805	8,916,466
Day Care	422,818	391,566
Other	923,113	1,091,122
Interest on long-term debt	<u>7,375,904</u>	<u>7,810,453</u>
Total expenses	<u><u>\$ 189,869,841</u></u>	<u><u>\$ 193,761,653</u></u>
Excess of revenues over expenses	<u><u>\$ 12,501,611</u></u>	<u><u>\$ 405,572</u></u>

BUDGETARY IMPLICATIONS

In Kentucky, the public school fiscal year is July 1-June 30; other programs, i.e. some federal programs, operate on a different fiscal calendar, but are reflected in the District overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a budget with \$6,928,866 in contingency (5.0%). The cash balance for the beginning of the fiscal year was \$44,152,428.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

Questions regarding this report should be directed to Mr. Randy Poe, Superintendent (859) 282-2375 or to his representative Mrs. Linda Schild, Finance Officer (859) 282-2938 or by mail to: Central Office, 8330 U.S. Highway 42, Florence, Kentucky 41042.

BOONE COUNTY SCHOOL DISTRICT

**Statement of Net Position – District Wide
Year Ended June 30, 2014**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Current:			
Cash and cash equivalents	\$ 42,832,445	\$ 5,443,726	\$ 48,276,171
Accounts receivable	4,906,044	-	4,906,044
Interfund receivable	973,875	-	973,875
Inventories for consumption	-	269,855	269,855
Total current	<u>48,712,364</u>	<u>5,713,581</u>	<u>54,425,945</u>
Noncurrent:			
Construction in progress	1,668,563	-	1,668,563
Nondepreciated capital assets:			
Land	12,934,451	-	12,934,451
Depreciated capital assets:			
Land improvements	10,102,627	-	10,102,627
Buildings and improvements	350,443,183	76,617	350,519,800
Furniture and equipment	43,760,592	4,344,344	48,104,936
Less: accumulated depreciation	<u>(138,013,524)</u>	<u>(4,035,898)</u>	<u>(142,049,422)</u>
Total noncurrent	<u>280,895,892</u>	<u>385,063</u>	<u>281,280,955</u>
Total assets	<u>329,608,256</u>	<u>6,098,644</u>	<u>335,706,900</u>
Liabilities and Net Position			
Liabilities			
Current:			
Current portion of bonds payable	12,653,660	-	12,653,660
Accounts payable	3,870,405	31,638	3,902,043
Accrued interest	2,165,656	-	2,165,656
Accrued sick leave	350,000	-	350,000
Accrued payroll and related expenses	4,597,814	-	4,597,814
Assessed KISBIT liability	1,278,746	-	1,278,746
Current portion of capital leases	143,937	-	143,937
Unearned revenues	812,779	-	812,779
Interfund payable	-	973,876	973,876
Total current	<u>25,872,997</u>	<u>1,005,514</u>	<u>26,878,511</u>
Noncurrent:			
Accrued sick leave	1,956,791	87,579	2,044,370
Capital leases	228,191	-	228,191
Bond obligations	<u>183,586,700</u>	-	<u>183,586,700</u>
Total noncurrent	<u>185,771,682</u>	<u>87,579</u>	<u>185,859,261</u>
Total liabilities	<u>211,644,679</u>	<u>1,093,093</u>	<u>212,737,772</u>
Net Position			
Invested in capital assets, net of related debt	84,283,404	385,063	84,668,467
Restricted	10,175,326	4,620,488	14,795,814
Unrestricted	<u>23,504,847</u>	-	<u>23,504,847</u>
Total net position	<u>\$ 117,963,577</u>	<u>\$ 5,005,551</u>	<u>\$ 122,969,128</u>

See notes to the financial statements.

BOONE COUNTY SCHOOL DISTRICT

**Balance Sheet – Governmental Funds
Year Ended June 30, 2014**

Function/Programs	Expenses	Program Revenues			Net (expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Instructional	\$ 103,584,098	\$ 192,000	\$ 7,241,753	\$ -	\$ (96,150,345)	\$ -	\$ (96,150,345)
Student support services	9,723,846	-	287,179	-	(9,436,667)	-	(9,436,667)
Staff support services	6,125,957	-	725,230	-	(5,400,727)	-	(5,400,727)
District administration	5,413,706	-	1,172	-	(5,412,534)	-	(5,412,534)
School administration	10,787,283	-	-	-	(10,787,283)	-	(10,787,283)
Business support services	4,405,252	-	163,064	-	(4,242,188)	-	(4,242,188)
Plant operation and maintenance	18,565,468	-	15,204	-	(18,550,264)	-	(18,550,264)
Student transportation	13,943,591	-	1,213,256	-	(12,730,335)	-	(12,730,335)
Community service operations	923,113	-	604,261	-	(318,852)	-	(318,852)
Facility acquisition and construction	-	-	-	3,995,629	3,995,629	-	3,995,629
Interest on long-term debt	7,375,904	-	-	-	(7,375,904)	-	(7,375,904)
Total governmental activities	<u>180,848,218</u>	<u>192,000</u>	<u>10,251,119</u>	<u>3,995,629</u>	<u>(166,409,470)</u>	<u>-</u>	<u>(166,409,470)</u>
Business-type activities							
Food service	8,598,805	3,785,574	5,232,800	-	-	419,569	419,569
Daycare	422,818	358,431	73,234	-	-	8,847	8,847
Total business-type activities	<u>9,021,623</u>	<u>4,144,005</u>	<u>5,306,034</u>	<u>-</u>	<u>-</u>	<u>428,416</u>	<u>428,416</u>
Total school district	<u>\$ 189,869,841</u>	<u>\$ 4,336,005</u>	<u>\$ 15,557,153</u>	<u>\$ 3,995,629</u>	<u>\$ (166,409,470)</u>	<u>\$ 428,416</u>	<u>\$ (165,981,054)</u>
General revenues:							
Taxes					\$ 98,225,649	\$ -	\$ 98,225,649
State and federal sources					79,046,462	-	79,046,462
Investment earnings					58,489	2,419	60,908
Miscellaneous					926,024	-	926,024
Special items:							
Loss on disposal of fixed assets					(210,650)	-	(210,650)
Fund transfer					434,272	-	434,272
Total general and special revenues					<u>178,480,246</u>	<u>2,419</u>	<u>178,482,665</u>
Change in net position					12,070,776	430,835	12,501,611
Net position - beginning					110,951,253	4,574,716	115,525,969
Net position adjustment					<u>(5,058,452)</u>	<u>-</u>	<u>(5,058,452)</u>
Net position - ending					<u>\$ 117,963,577</u>	<u>\$ 5,005,551</u>	<u>\$ 122,969,128</u>

See notes to the financial statements.

BOONE COUNTY SCHOOL DISTRICT

**Balance Sheet – Governmental Funds
Year Ended June 30, 2014**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Construction Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Current:					
Cash (overdraft) and cash equivalents	\$ 32,677,120	\$ 466,349	\$ 8,947,727	\$ 741,249	\$ 42,832,445
Interfund receivable	973,875	-	-	-	973,875
Accounts receivable	4,107,541	798,503	-	-	4,906,044
Total current	<u>\$ 37,758,536</u>	<u>\$ 1,264,852</u>	<u>\$ 8,947,727</u>	<u>\$ 741,249</u>	<u>\$ 48,712,364</u>
Liabilities and Fund Balances					
Liabilities					
Current:					
Accounts payable	\$ 2,726,374	\$ 95,195	\$ 1,048,836	\$ -	\$ 3,870,405
Unearned revenue	-	812,779	-	-	812,779
Accrued payroll and related expenses	4,597,814	-	-	-	4,597,814
	<u>7,324,188</u>	<u>907,974</u>	<u>1,048,836</u>	<u>-</u>	<u>9,280,998</u>
Noncurrent:					
Accrued sick leave	<u>350,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>350,000</u>
Total noncurrent	<u>350,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>350,000</u>
Total liabilities	<u>7,674,188</u>	<u>907,974</u>	<u>1,048,836</u>	<u>-</u>	<u>9,630,998</u>
Fund Balances					
Assigned:					
Site based carryforward	748,169	-	-	-	748,169
Purchase obligations	112,833	-	-	-	112,833
New school openings	5,654,531	-	-	-	5,654,531
Future insurance claims	2,029,301	-	-	-	2,029,301
Restricted:					
Capital projects	-	-	7,898,891	741,249	8,640,140
Grants	-	356,878	-	-	356,878
Unassigned	20,361,206	-	-	-	20,361,206
Committed:					
Other	<u>1,178,308</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,178,308</u>
Total fund balances	<u>30,084,348</u>	<u>356,878</u>	<u>7,898,891</u>	<u>741,249</u>	<u>39,081,366</u>
Total liabilities and fund balances	<u>\$ 37,758,536</u>	<u>\$ 1,264,852</u>	<u>\$ 8,947,727</u>	<u>\$ 741,249</u>	<u>\$ 48,712,364</u>

See notes to the financial statements.

BOONE COUNTY SCHOOL DISTRICT
Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Position
As of June 30, 2014

Total governmental fund balance		\$	39,081,366
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.			
Construction in process	1,668,563		
Cost of capital assets	417,240,853		
Accumulated depreciation	<u>(138,013,524)</u>		280,895,892
Long-term liabilities (including bonds payable) are not due and payable in the current period and therefore are not reported as liabilities in the funds.			
Long-term liabilities at year end consist of:			
Bonds payable			(196,240,360)
Accrued interest on bonds			(2,165,656)
Capital leases			(372,128)
Assessed KISBIT liability			(1,278,746)
Accrued sick leave			<u>(1,956,791)</u>
 Total net position - governmental		 \$	 <u>117,963,577</u>

See notes to the financial statements.

BOONE COUNTY SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2014**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Construction Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes	\$ 79,446,135	\$ -	\$ -	\$ 18,779,514	\$ 98,225,649
Earnings on investments	57,544	-	858	87	58,489
State sources	78,367,487	3,094,245	-	3,427,793	84,889,525
Federal sources	678,975	6,527,642	-	567,836	7,774,453
Other sources	1,117,124	629,232	900	-	1,747,256
	<u>159,667,265</u>	<u>10,251,119</u>	<u>1,758</u>	<u>22,775,230</u>	<u>192,695,372</u>
Total revenues					
Expenditures					
Instructional	91,888,439	7,221,084	-	-	99,109,523
Student support services	9,411,957	287,179	-	-	9,699,136
Staff support services	5,276,953	725,230	-	-	6,002,183
District administration	5,396,305	1,172	-	-	5,397,477
School administration	10,786,354	-	-	-	10,786,354
Business support services	3,880,441	163,064	-	-	4,043,505
Plant operation and maintenance	14,652,066	15,204	-	-	14,667,270
Student transportation	13,444,733	1,213,256	-	-	14,657,989
Community service operations	318,245	604,261	-	-	922,506
Facility acquisition and construction	67,541	-	7,139,798	-	7,207,339
Debt service:					
Principal	-	-	-	12,288,660	12,288,660
Interest	-	-	-	7,305,728	7,305,728
	<u>155,123,034</u>	<u>10,230,450</u>	<u>7,139,798</u>	<u>19,594,388</u>	<u>192,087,670</u>
Total expenditures					
Excess (deficit) of revenues over expenditures	<u>4,544,231</u>	<u>20,669</u>	<u>(7,138,040)</u>	<u>3,180,842</u>	<u>607,702</u>
Other financing sources (uses)					
Proceeds from sale of assets	57,828	-	-	-	57,828
Operating transfers in	448,063	350,000	2,718,687	18,121,083	21,637,833
Operating transfers out	(233,703)	(13,791)	-	(20,956,067)	(21,203,561)
	<u>272,188</u>	<u>336,209</u>	<u>2,718,687</u>	<u>(2,834,984)</u>	<u>492,100</u>
Total other financing sources (uses)					
Net change in fund balance	4,816,419	356,878	(4,419,353)	345,858	1,099,802
Fund balance, July 1, 2013	25,267,929	-	12,318,244	395,391	37,981,564
Fund balance, June 30, 2014	<u>\$ 30,084,348</u>	<u>\$ 356,878</u>	<u>\$ 7,898,891</u>	<u>\$ 741,249</u>	<u>\$ 39,081,366</u>

See notes to the financial statements.

BOONE COUNTY SCHOOL DISTRICT

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2014**

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

Net changes-governmental funds		\$ 1,099,802
<p>Governmental funds report capital outlays as expenditures because they use current financial resources. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation expense for the year.</p>		
Depreciation expense	(12,374,244)	
Capital outlays	10,647,267	
Retirement of capital assets	<u>(268,478)</u>	
		(1,995,455)
<p>Bond and capital lease proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.</p>		
Bond principal paid		12,288,660
Capital lease principal paid		160,482
<p>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.</p>		
		<u>517,287</u>
Changes in net position of governmental activities		<u>\$ 12,070,776</u>

See notes to the financial statements.

BOONE COUNTY SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual – General Fund
Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues				
Taxes	\$ 75,700,000	\$ 73,950,000	\$ 79,446,135	\$ 5,496,135
Earnings on investments	100,000	100,000	57,544	(42,456)
State sources	49,934,952	51,067,492	78,367,487	27,299,995
Federal sources	125,000	125,000	678,975	553,975
Other sources	<u>1,462,000</u>	<u>1,462,000</u>	<u>1,623,015</u>	<u>161,015</u>
Total revenues	<u>127,321,952</u>	<u>126,704,492</u>	<u>160,173,156</u>	<u>33,468,664</u>
Expenditures				
Instructional	78,868,195	77,787,865	91,888,439	(14,100,574)
Student support services	7,640,055	7,980,195	9,411,957	(1,431,762)
Staff support services	4,749,623	4,641,276	5,276,953	(635,677)
District administration	5,582,858	5,225,435	5,396,305	(170,870)
School administration	8,988,327	8,986,674	10,786,354	(1,799,680)
Business support services	3,423,869	3,391,896	3,880,441	(488,545)
Plant operation and maintenance	14,242,234	14,614,415	14,652,066	(37,651)
Student transportation	12,091,020	12,634,056	13,444,733	(810,677)
Community service operations	130,950	138,991	318,245	(179,254)
Facility acquisition and construction	103,771	73,772	67,541	6,231
Other	<u>7,550,000</u>	<u>7,278,867</u>	<u>233,703</u>	<u>7,045,164</u>
Total expenditures	<u>143,370,902</u>	<u>142,753,442</u>	<u>155,356,737</u>	<u>(12,603,295)</u>
Net change in fund balance	(16,048,950)	(16,048,950)	4,816,419	20,865,369
Fund balance, July 1, 2013	<u>16,048,950</u>	<u>16,048,950</u>	<u>25,267,929</u>	<u>9,218,979</u>
Fund balance, June 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,084,348</u>	<u>\$ 30,084,348</u>

See notes to the financial statements.

BOONE COUNTY SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget to Actual – Special Revenue Fund
Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Earnings on investments	-	-	-	-
State sources	807,700	3,476,044	3,094,245	(381,799)
Federal sources	2,239,924	6,129,863	6,527,642	397,779
Other sources	350,000	7,311	979,232	971,921
Total revenues	<u>3,397,624</u>	<u>9,613,218</u>	<u>10,601,119</u>	<u>987,901</u>
Expenditures				
Instructional	2,416,662	6,669,745	7,221,084	(551,339)
Student support services	119,831	278,979	287,179	(8,200)
Staff support services	262,681	492,156	725,230	(233,074)
District administration	-	-	1,172	(1,172)
School administration	-	-	-	-
Business support services	-	-	163,064	(163,064)
Plant operation and maintenance	-	15,000	15,204	(204)
Student transportation	-	1,282,088	1,213,256	68,832
Central office	-	-	-	-
Food service operation	-	-	-	-
Community service operations	598,450	600,593	604,261	(3,668)
Facility acquisition and construction	-	-	-	-
Other	-	-	13,791	(13,791)
Total expenditures	<u>3,397,624</u>	<u>9,338,561</u>	<u>10,244,241</u>	<u>(905,680)</u>
Net change in fund balance	-	274,657	356,878	82,221
Fund balance, July 1, 2013	-	-	-	-
Fund balance, June 30, 2014	<u>\$ -</u>	<u>\$ 274,657</u>	<u>\$ 356,878</u>	<u>\$ 82,221</u>

See notes to the financial statements.

BOONE COUNTY SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget to Actual – Construction Fund
Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Earnings on investments	-	2,808,191	858	(2,807,333)
State sources	-	-	-	-
Federal sources	-	-	-	-
Other sources	2,834,010	651,290	2,719,587	2,068,297
Total revenues	<u>2,834,010</u>	<u>3,459,481</u>	<u>2,720,445</u>	<u>(739,036)</u>
Expenditures				
Facility acquisition and construction	2,834,010	4,669,043	7,139,798	(2,470,755)
Other	-	-	-	-
Total expenditures	<u>2,834,010</u>	<u>4,669,043</u>	<u>7,139,798</u>	<u>(2,470,755)</u>
Net change in fund balance	-	(1,209,562)	(4,419,353)	(3,209,791)
Fund balance, July 1, 2013	<u>12,318,244</u>	<u>12,318,244</u>	<u>12,318,244</u>	-
Fund balance, June 30, 2014	<u>\$ 12,318,244</u>	<u>\$ 11,108,682</u>	<u>\$ 7,898,891</u>	<u>\$ (3,209,791)</u>

See notes to the financial statements.

BOONE COUNTY SCHOOL DISTRICT
Statement of Net Position – Proprietary Funds
As of June 30, 2014

	<u>Food Service</u>	<u>Daycare Fund</u>	<u>Total</u>
Assets			
Current			
Cash and cash equivalents	\$ 5,443,726	\$ -	\$ 5,443,726
Inventories for consumption	269,855	-	269,855
Total current	<u>5,713,581</u>	<u>-</u>	<u>5,713,581</u>
Noncurrent			
Buildings and Improvements	76,617	-	76,617
Furniture and Fixtures	4,344,344	-	4,344,344
Less: accumulated depreciation	<u>(4,035,898)</u>	<u>-</u>	<u>(4,035,898)</u>
Total noncurrent	<u>385,063</u>	<u>-</u>	<u>385,063</u>
Total assets	<u>6,098,644</u>	<u>-</u>	<u>6,098,644</u>
Liabilities and Net Position			
Liabilities			
Current			
Accounts payable	31,614	24	31,638
Interfund payable	960,201	13,675	973,876
Total current	<u>991,815</u>	<u>13,699</u>	<u>1,005,514</u>
Noncurrent			
Accumulated sick leave	<u>87,579</u>	<u>-</u>	<u>87,579</u>
Total liabilities	<u>1,079,394</u>	<u>13,699</u>	<u>1,093,093</u>
Net Position			
Invested in assets, net of debt	385,063	-	385,063
Unrestricted	<u>4,634,187</u>	<u>(13,699)</u>	<u>4,620,488</u>
Total net position	<u>\$ 5,019,250</u>	<u>\$ (13,699)</u>	<u>\$ 5,005,551</u>

See notes to the financial statements.

BOONE COUNTY SCHOOL DISTRICT

**Statement of Revenues, Expenses and Changes in Net Position -
Proprietary Funds
Year Ended June 30, 2014**

	Food Service	Daycare Fund	Total
Operating revenues			
Lunchroom sales	\$ 3,754,622	\$ -	\$ 3,754,622
Other operating revenues	30,952	358,431	389,383
Total operating revenues	3,785,574	358,431	4,144,005
Operating expenses			
Salaries and benefits	4,338,799	422,818	4,761,617
Contract services	687,980	-	687,980
Materials and supplies	3,010,887	-	3,010,887
Depreciation	127,171	-	127,171
Other operating expenses	(304)	-	(304)
Total operating expenses	8,164,533	422,818	8,587,351
Operating loss	(4,378,959)	(64,387)	(4,443,346)
Nonoperating revenues (expenses)			
Federal grants	3,880,132	-	3,880,132
State grants	919,516	73,234	992,750
Donated commodities and other donations	433,152	-	433,152
Transfers out	(434,272)	-	(434,272)
Interest income	2,419	-	2,419
Total nonoperating revenues	4,800,947	73,234	4,874,181
Net income	421,988	8,847	430,835
Total net position, July 1, 2013	4,597,262	(22,546)	4,574,716
Total net position, June 30, 2014	\$ 5,019,250	\$ (13,699)	\$ 5,005,551

See notes to the financial statements.

BOONE COUNTY SCHOOL DISTRICT

**Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2014**

	Food Service Fund	Daycare Fund	Total
Cash flows from operating activities			
Cash received from lunchroom sales	\$ 3,754,622	\$ -	\$ 3,754,622
Cash received from other activities	198,382	349,560	547,942
Cash payments to employees for services	(4,338,799)	(422,818)	(4,761,617)
Cash payments to suppliers for goods and services	(3,810,059)	24	(3,810,035)
Cash transfers	<u>(434,272)</u>	<u>-</u>	<u>(434,272)</u>
Net cash used in operating activities	<u>(4,630,126)</u>	<u>(73,234)</u>	<u>(4,703,360)</u>
Cash flows from capital financing activities			
Purchase of capital assets	<u>(35,850)</u>	<u>-</u>	<u>(35,850)</u>
Net cash used in capital financing activities	<u>(35,850)</u>	<u>-</u>	<u>(35,850)</u>
Cash flows from noncapital financing activities			
Non-operating revenues received	<u>5,232,800</u>	<u>73,234</u>	<u>5,306,034</u>
Net cash provided by noncapital financing activities	<u>5,232,800</u>	<u>73,234</u>	<u>5,306,034</u>
Cash flows from investing activities			
Interest on investments	<u>2,419</u>	<u>-</u>	<u>2,419</u>
Net cash flows provided by investing activities	<u>2,419</u>	<u>-</u>	<u>2,419</u>
Net increase (decrease) in cash and cash equivalents	569,243	-	569,243
Cash (overdraft) and cash equivalents - beginning	<u>4,874,483</u>	<u>-</u>	<u>4,874,483</u>
Cash (overdraft) and cash equivalents - ending	<u>\$ 5,443,726</u>	<u>\$ -</u>	<u>\$ 5,443,726</u>
Reconciliation of operating loss to net cash used in operating activities			
Operating loss	\$ (4,378,959)	\$ (64,387)	\$ (4,443,346)
Adjustments to reconcile operating loss to net cash used in operating activities			
Depreciation	127,171	-	127,171
Transfers	(434,272)	-	(434,272)
Changes in assets and liabilities:			
(Decrease) increase in accounts payable	15,468	24	15,492
(Decrease) increase in accumulated sick leave	12,963	-	12,963
(Decrease) increase in due to other funds	(255,133)	(8,871)	(264,004)
(Increase) decrease in accounts receivable	422,563	-	422,563
(Increase) decrease in inventories	<u>(139,927)</u>	<u>-</u>	<u>(139,927)</u>
Net cash used in operating activities	<u>\$ (4,630,126)</u>	<u>\$ (73,234)</u>	<u>\$ (4,703,360)</u>
Schedule of non-cash transactions:			
Donated commodities received from federal government	<u>\$ 433,152</u>	<u>\$ -</u>	<u>\$ 433,152</u>

See notes to the financial statements.

BOONE COUNTY SCHOOL DISTRICT

**Statement of Fiduciary Net Position
As of June 30, 2014**

	<u>School Activity Funds</u>	<u>Total</u>
Assets		
Cash and cash equivalents	<u>\$ 2,335,097</u>	<u>\$ 2,335,097</u>
Total assets	<u>2,335,097</u>	<u>2,335,097</u>
Liabilities		
Due to student groups	<u>2,335,097</u>	<u>2,335,097</u>
Total liabilities	<u><u>\$ 2,335,097</u></u>	<u><u>\$ 2,335,097</u></u>

See notes to the financial statements.

BOONE COUNTY SCHOOL DISTRICT

Notes to the Financial Statement (Continued) Year Ended June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Boone 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 Boone County School District (District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the 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 operation of the Boone 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 Parent-Teacher Associations, etc.

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

Boone County School District Finance Corporation - The Board authorized the establishment of the Boone County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the District for financing the costs of school building facilities. The Board Members of the Boone County Board of Education also comprise the Corporation's Board of Directors.

Basis of Presentation

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

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

BOONE COUNTY SCHOOL DISTRICT

**Notes to the Financial Statement
(Continued)
Year Ended June 30, 2014**

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

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 total net position. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus.

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the schedule of expenditures of federal awards included in this report on pages 52. This is a major fund of the District.

BOONE COUNTY SCHOOL DISTRICT

**Notes to the Financial Statement
(Continued)
Year Ended June 30, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

I. Governmental Fund Types (cont'd)

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

II. 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.

III. Proprietary Fund (Enterprise Fund)

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

IV. Fiduciary Fund Type (Agency and Trust Funds)

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

The District applies all Governmental Accounting Standards Board (GASB) pronouncements to proprietary funds as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements.

BOONE COUNTY SCHOOL DISTRICT

**Notes to the Financial Statement
(Continued)
Year Ended June 30, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

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

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

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

BOONE COUNTY SCHOOL DISTRICT

**Notes to the Financial Statement
(Continued)
Year Ended June 30, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP) of the United States of America. 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).

Cash and Cash Equivalents

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

Inventories

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

Capital Assets

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

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

BOONE COUNTY SCHOOL DISTRICT

**Notes to the Financial Statement
(Continued)
Year Ended June 30, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

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

<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
General equipment	10 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Other	10 years

Accumulated Unpaid Sick Leave Benefits

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

Interfund Balances

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

Accrued Liabilities and Long-Term Obligations

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

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

BOONE COUNTY SCHOOL DISTRICT

**Notes to the Financial Statement
(Continued)
Year Ended June 30, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Reserves

Beginning with fiscal year 2012 the District implemented GASB Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the District's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the District itself, using its decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the District takes the action to remove or change the constraint.

Assigned fund balance – amounts the District intends to use for specific purpose (such as encumbrances); intent can be expressed by the District or by an official or body to which the District delegates the authority.

Unassigned fund balance – amounts that are available for purpose; positive amounts are reported only in the General fund.

It is the 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.

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

Net Position

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

Operating Revenues and Expenses

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

BOONE COUNTY SCHOOL DISTRICT

**Notes to the Financial Statement
(Continued)
Year Ended June 30, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Activity

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

NOTE 2 - ESTIMATES

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

NOTE 3 - CASH AND CASH EQUIVALENTS

The District maintains its cash in bank deposit accounts which, at times, exceed federally insured limits. The amounts exceeding the federally insured limits are covered by a collateral agreement and the collateral is held by the pledging banks' trust departments in the District's name. The District has not experienced any losses in such accounts and the District believes it is not exposed to any significant credit risk on cash and cash equivalents.

BOONE COUNTY SCHOOL DISTRICT

**Notes to the Financial Statement
(Continued)
Year Ended June 30, 2014**

NOTE 4 – CAPITAL ASSETS

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

<u>Governmental Activities</u>	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014
Land	\$ 12,934,451	\$ -	\$ -	\$ 12,934,451
Land improvements	9,520,816	581,811	-	10,102,627
Buildings and improvements	343,065,690	7,377,493	-	350,443,183
Technology equipment	17,555,424	348,640	126,078	17,777,986
Vehicles	20,494,526	2,177,409	1,146,596	21,525,339
General equipment	4,298,497	161,914	3,144	4,457,267
Construction work in progress	1,932,476	-	263,913	1,668,563
Totals at historical cost	<u>409,801,880</u>	<u>10,647,267</u>	<u>1,539,731</u>	<u>418,909,416</u>
Less: accumulated depreciation				
Land improvements	3,228,230	236,918	-	3,465,148
Buildings and improvements	95,624,938	9,159,561	-	104,784,499
Technology equipment	14,369,409	1,290,287	123,487	15,536,209
Vehicles	11,237,700	1,432,786	1,146,596	11,523,890
General equipment	2,450,256	254,692	1,170	2,703,778
Total accumulated depreciation	<u>126,910,533</u>	<u>12,374,244</u>	<u>1,271,253</u>	<u>138,013,524</u>
Governmental activities capital assets - net	<u>\$ 282,891,347</u>	<u>\$ (1,726,977)</u>	<u>\$ 268,478</u>	<u>\$ 280,895,892</u>
 <u>Business - Type Activities</u>				
General equipment	\$ 3,405,074	\$ 22,917	\$ -	\$ 3,427,991
Buildings and improvements	63,684	12,933	-	76,617
Vehicles	17,749	-	-	17,749
Technology equipment	898,604	-	-	898,604
Totals at historical cost	<u>4,385,111</u>	<u>35,850</u>	<u>-</u>	<u>4,420,961</u>
Less: accumulated depreciation				
General equipment	2,999,563	111,952	-	3,111,515
Buildings and improvements	23,371	5,277	-	28,648
Vehicles	17,749	-	-	17,749
Technology equipment	868,044	9,942	-	877,986
Total accumulated depreciation	<u>3,908,727</u>	<u>127,171</u>	<u>-</u>	<u>4,035,898</u>
Business - type activities capital assets - net	<u>\$ 476,384</u>	<u>\$ (91,321)</u>	<u>\$ -</u>	<u>\$ 385,063</u>

BOONE COUNTY SCHOOL DISTRICT

**Notes to the Financial Statement
(Continued)
Year Ended June 30, 2014**

NOTE 5 - ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon providing proof of qualification as an annuitant from the Kentucky Teacher's Retirement System, certified and classified employees will receive from the District an amount equal to 30% of the value of accumulated sick leave. At June 30, 2014 this amount totaled approximately \$2,394,370 for those employees with twenty-seven or more years of experience.

NOTE 6 – COMMITMENTS UNDER CAPITAL LEASES

The District is the lessee of buses under capital leases expiring between 2014 and 2019. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are depreciated over the lower of their related lease terms or their estimated productive lives. Depreciation of assets under capital leases is included in depreciation expense.

Future minimum lease payments under capital leases as of June 30, 2014, for each of the next five years and in the aggregate are as follows:

2014-2015	\$ 161,969
2015-2016	110,127
2016-2017	75,374
2017-2018	40,513
2018-2019	<u>23,340</u>
Total minimum payments	411,323
Less amount representing interest	<u>39,195</u>
Present value of net minimum lease payments	<u><u>\$ 372,128</u></u>

BOONE COUNTY SCHOOL DISTRICT

**Notes to the Financial Statement
(Continued)
Year Ended June 30, 2014**

NOTE 7 - LEASE OBLIGATIONS AND BONDED DEBT

The amount shown in the accompanying financial statements as lease obligations represents the District's future obligations to make lease payments relating to the bonds issued.

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

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
August 1, 2005	\$ 15,695,000	3.750% - 4.250%
July 1, 2006	17,065,000	4.000% - 4.500%
December 1, 2006	23,310,000	3.875%
March 1, 2007	36,365,000	3.600% - 4.125%
May 1, 2008	5,600,000	2.300% - 3.300%
February 1, 2009	14,270,000	2.000% - 4.875%
September 1, 2009	5,960,000	1.000% - 2.900%
September 1, 2010	23,810,000	1.500% - 2.500%
June 1, 2010	4,105,000	1.000% - 3.200%
September 1, 2010	23,810,000	1.500% - 2.500%
April 1, 2011	16,590,000	2.000% - 5.000%
December 1, 2011	9,985,000	2.000%
February 1, 2012	27,700,000	2.000% - 2.750%
September 1, 2012	12,170,000	2.000% - 2.625%
March 1, 2013	5,975,000	2.000% - 3.250%

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 bonds issued by the Kenton County Fiscal Court and the Boone County School District Finance Corporation to construct school facilities.

The District entered into "participation agreements" with the School Facility Construction Commission (Commission). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. Note 17 sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal has been recorded in the financial statements.

All issues 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, at June 30, 2014 for debt service (principal and interest) are reported in Note 17.

BOONE COUNTY SCHOOL DISTRICT

Notes to the Financial Statement (Continued) Year Ended June 30, 2014

NOTE 8 - RETIREMENT PLANS

Kentucky Teachers Retirement System

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

Funding policy – Contribution rates are established by Kentucky Revised Statutes. Members are required to contribute 11.355% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries for members in a state retirement before July 1, 2008 and 14.105% of salaries for members who started their account after July 1, 2008. The federal program for any salaries paid by that program pays the matching contributions. The contribution requirement for KTRS for the year ended June 30, 2014, was \$11,091,824, which consisted of \$1,517,334 from the District and \$9,547,490 from the employees. Total contributions for the year ended June 30, 2013 and 2012 were \$10,231,894 and \$9,503,735, respectively. The contributions have been contributed in full for fiscal years 2014, 2013 and 2012.

County Employees Retirement System

Classified employees who work an average of 80 hours per month over the actual days worked during the school year participate in the County Employees Retirement System (CERS). This is a cost sharing, multiple-employer, public employers retirement plan created and maintained by Kentucky legislature and provides retirement, death and disability benefits to Plan members.

Participating employees contribute 5% of creditable compensation. Participants hired after August 31, 2008 are required to contribute 6%. Matching contributions are made by the state at a rate as required by the Board of Trustees to be necessary for the actuarial soundness per Kentucky Revised Statute 61.565. The contribution requirement for CERS for the year ended June 30, 2013, was \$5,822,522, which consisted of \$4,551,883 from the District and \$1,270,639 from the employees. Total contributions for the year ended June 30, 2014 and 2013 were \$6,009,138 and \$5,106,835 respectively. The contributions have been contributed in full for fiscal years 2014, 2013 and 2012.

The District's total payroll for the year was \$108,415,825. The payroll for employees covered under KTRS was \$84,319,614 and for CERS was \$24,096,211.

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

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits which is adjusted for the effects of projected salary increases and step-rate benefits that are 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 make comparisons among the plans and employers.

KTRS and CERS do not make separate measurements of assets and pension benefit obligations for individual employers. KTRS and CERS both issue a publicly available financial report that includes all financial statements and required supplementary information. The reports can be obtained in writing from the Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601-3800 and the County Employee Retirement System, 1260 Louisville Road, Perimeter Park West, Frankfort, KY 40601.

BOONE COUNTY SCHOOL DISTRICT

**Notes to the Financial Statement
(Continued)
Year Ended June 30, 2014**

NOTE 9 - CONTINGENCIES

Grant Fund Approval

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

NOTE 10 - INSURANCE AND RELATED ACTIVITIES

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

NOTE 11 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days' notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

The District is self-insured for unemployment insurance benefits. The District reimburses the state for any claims paid. The District purchases workers' compensation insurance through the Kentucky School Boards Insurance Trust. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 12 - DEFICIT OPERATING/FUND BALANCES

The District currently has only one fund with a deficit fund balance. The fund with a deficit balance is the Daycare Fund in the amount of \$13,699. However, the following funds have operations that resulted in a current year deficit of revenues over expenditures, resulting in a corresponding reduction of fund balance:

Construction Fund	\$ 4,419,353
Camp Ernst Middle School	50,787
Conner Middle School	37,677
North Pointe Elementary	15,789
A.M. Yealey Elementary	4,096
Burlington Elementary	2,292
Shirley Mann Elementary	2,062
New Haven Elementary	135

BOONE COUNTY SCHOOL DISTRICT

**Notes to the Financial Statement
(Continued)
Year Ended June 30, 2014**

NOTE 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 District at risk for a substantial loss (contingency).

NOTE 14 - CONTINGENT LIABILITY

The District is a participant in the Kentucky School Board Insurance Trust in which the District purchases general liability and workers' compensation insurance. As of June 30, 2014, the District has been notified of a deficit in the trust and has been given a preliminary assessment of its portion of the deficit of \$1,278,746. This contingent liability has been recorded in the District Wide Financial Statements but not included in the Governmental Financial Statements.

NOTE 15 - TRANSFER OF FUNDS

The following transfers were made during the year.

From Fund	To Fund	Purpose	Amount
General Fund	Special Revenue Funds	Operating	\$ 350,000
Special Revenue Funds	General Fund	Matching	\$ 13,791
Capital Outlay Fund	Construction Fund	Operating	\$ 1,808,230
Building Fund	Construction Fund	Construction	\$ 1,026,754
Building Fund	Debt Service Fund	Debt service	\$ 18,121,083
General Fund	Construction Fund	Construction	\$ (116,297)
Food Service Fund	General Fund	Indirect Cost	\$ 434,272

NOTE 16 - ON-BEHALF PAYMENTS

For the year ended June 30, 2014 total payments of \$29,049,075 were made for life insurance, health insurance, KTRS matching and administrative fees by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the statement of activities.

General Fund	\$ 27,249,226
Debt Service	905,382
Day Care	73,234
Food Service	<u>821,233</u>
Total On-Behalf	<u>\$ 29,049,075</u>

BOONE COUNTY SCHOOL DISTRICT

**Notes to the Financial Statement
(Continued)
Year Ended June 30, 2014**

NOTE 17 – SCHEDULE OF LONG-TERM OBLIGATIONS

2005, 2006, 2006 - Ref, 2007, 2008 - Ref, 2009, 2009 - Ref, 2010, 2010 - Ref, 2010B
- Ref, 2011, 2011 - Ref, 2012 - Ref, 2012B - Ref and 2013

FISCAL YEAR	BOONE COUNTY SCHOOL DISTRICT			KY SCHOOL FACILITIES CONSTRUCTION COMMISSION			TOTAL REQUIREMENTS
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL	
2014-2015	\$ 12,013,925	\$ 6,086,987	\$ 18,100,912	\$ 639,735	\$ 265,649	\$ 905,384	\$ 19,006,296
2015-2016	12,334,080	5,763,024	18,097,104	659,580	245,802	905,382	19,002,486
2016-2017	12,658,345	5,425,562	18,083,907	680,315	225,072	905,387	18,989,294
2017-2018	13,011,548	5,060,296	18,071,844	582,112	203,016	785,128	18,856,972
2018-2019	13,467,547	4,669,274	18,136,821	601,113	184,012	785,125	18,921,946
2019-2020	13,862,528	4,265,819	18,128,347	566,132	164,760	730,892	18,859,239
2020-2021	14,263,111	3,856,617	18,119,728	405,549	148,862	554,411	18,674,139
2021-2022	14,654,644	3,453,178	18,107,822	419,016	135,397	554,413	18,662,235
2022-2023	15,050,295	3,055,276	18,105,571	433,365	121,046	554,411	18,659,982
2023-2024	15,564,885	2,536,765	18,101,650	448,775	105,637	554,412	18,656,062
2024-2025	12,684,244	1,989,300	14,673,544	309,416	89,294	398,710	15,072,254
2025-2026	13,206,064	1,469,908	14,675,972	322,596	76,117	398,713	15,074,685
2026-2027	11,701,245	971,432	12,672,677	312,415	62,732	375,147	13,047,824
2027-2028	3,132,231	503,859	3,636,090	272,769	50,109	322,878	3,958,968
2028-2029	3,280,239	360,913	3,641,152	284,761	38,120	322,881	3,964,033
2029-2030	1,927,892	211,076	2,138,968	232,108	25,587	257,695	2,396,663
2030-2031	2,017,548	123,820	2,141,368	242,452	15,244	257,696	2,399,064
2031-2032	493,008	31,849	524,857	66,992	4,339	71,331	596,188
2032-2033	505,914	16,442	522,356	69,086	2,245	71,331	593,687
Various*	2,862,778	-	2,862,778	-	-	-	2,862,778
	<u>\$ 188,692,071</u>	<u>\$ 49,851,397</u>	<u>\$ 238,543,468</u>	<u>\$ 7,548,287</u>	<u>\$ 2,163,040</u>	<u>\$ 9,711,327</u>	<u>\$ 248,254,795</u>

*Expected interest income to be earned on qualified school construction bond escrow account

A summary of the changes in the principal of the outstanding bond obligations and the capital leases for the District during the year ended June 30, 2014 is as follows:

Governmental Activities	Balance	Additions	Payments	Balance
	July 01, 2013			June 30, 2014
Bond Obligations	<u>\$ 208,529,018</u>	<u>\$ -</u>	<u>\$ 12,288,660</u>	<u>\$ 196,240,358</u>
Capital Leases	<u>\$ 386,259</u>	<u>\$ 146,351</u>	<u>\$ 160,482</u>	<u>\$ 372,128</u>

BOONE COUNTY SCHOOL DISTRICT

**Notes to the Financial Statement
(Continued)
Year Ended June 30, 2014**

NOTE 18 - PRIOR PERIOD ADJUSTMENT

For the year ended June 30, 2014, the District adopted GASB 65 *Items Previously Reported as Assets and Liabilities*. As a result of this adoption, the beginning net position of the government fund activities have been decreased by \$5,058,452. The governmental funds had a balance at June 30, 2013 of \$110,951,253. The balance should have been \$105,892,801. The change is the result of the write off of the amortized costs associated with the deferred loss on a bond's refunding. The net effect of these restatements was \$5,058,452.

NOTE 19 - SUBSEQUENT EVENTS

Subsequent events were considered through November 13, 2014, which represents the release date of our report.

SUPPLEMENTARY
INFORMATION

BOONE COUNTY SCHOOL DISTRICT

**Combining Balance Sheet – Nonmajor Governmental Funds
As of June 30, 2014**

	<u>Capital Outlay Fund</u>	<u>Building Fund</u>	<u>Debt Service Fund</u>	<u>Total Non-major Government Funds</u>
Assets				
Current:				
Cash and cash equivalents	\$ 117,961	\$ 623,288	\$ -	\$ 741,249
Accounts receivable	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total current	<u>\$ 117,961</u>	<u>\$ 623,288</u>	<u>\$ -</u>	<u>\$ 741,249</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	-	-	-	-
Fund Balances:				
Assigned	-	-	-	-
Restricted:				
Capital projects fund	117,961	623,288	-	741,249
Debt service fund	-	-	-	-
Unrestricted	-	-	-	-
Committed:				
Sick Leave	-	-	-	-
Site-based carryforward	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	<u>117,961</u>	<u>623,288</u>	<u>-</u>	<u>741,249</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 117,961</u>	<u>\$ 623,288</u>	<u>\$ -</u>	<u>\$ 741,249</u>

BOONE COUNTY SCHOOL DISTRICT

**Combining Statement of Revenues, Expenditures and Changes
In Fund Balances – Nonmajor Governmental Funds
As of June 30, 2014**

	Capital Outlay Fund	Building Fund	Debt Service Fund	Total Nonmajor Government Funds
Revenues:				
Taxes	\$ -	\$ 18,779,514	\$ -	\$ 18,779,514
Earnings on investments	-	-	87	87
State sources	1,823,283	699,128	905,382	3,427,793
Federal sources	-	-	567,836	567,836
Other sources	-	-	-	-
Total revenues	1,823,283	19,478,642	1,473,305	22,775,230
Expenditures:				
Debt service:				
Principal	-	-	12,288,660	12,288,660
Interest	-	-	7,305,728	7,305,728
Total expenditures	-	-	19,594,388	19,594,388
Excess (deficit) of revenues over expenditures	1,823,283	19,478,642	(18,121,083)	3,180,842
Other Financing Sources (Uses)				
Proceeds from sale of bonds	-	-	-	-
Proceeds from sale of assets	-	-	-	-
Operating transfers in	-	-	18,121,083	18,121,083
Operating transfers out	(1,808,230)	(19,147,837)	-	(20,956,067)
Total other financing sources(uses)	(1,808,230)	(19,147,837)	18,121,083	(2,834,984)
Net change in fund balance	15,053	330,805	-	345,858
Fund balance, July 1, 2013	102,908	292,483	-	395,391
Fund balance, June 30, 2014	\$ 117,961	\$ 623,288	\$ -	\$ 741,249

BOONE COUNTY SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
Bond and Interest Redemption Funds
For the Year Ended June 30, 2014**

	<u>Issue of 2000B</u>	<u>Issue of 2004A</u>	<u>Issue of 2004B</u>	<u>Issue of 2005</u>	<u>Issue of 2006</u>	<u>Issue of 2006 - Ref</u>	<u>Issue of 2007</u>	<u>Issue of 2008 - Ref</u>	<u>Issue of 2009</u>	<u>Issue of 2009 - Ref</u>
Cash at July 1, 2013	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:										
Transfers and miscellaneous deposits	1,251,263	641,700	1,471,600	978,188	1,160,288	2,066,700	1,886,319	725,355	995,693	716,940
Disbursements:										
Bonds paid	1,220,000	620,000	1,415,000	445,000	550,000	1,270,000	500,000	640,000	465,000	640,000
Interest coupons	31,263	21,700	56,600	533,188	610,288	796,700	1,386,319	85,355	530,693	76,940
Transfers and miscellaneous	-	-	-	-	-	-	-	-	-	-
Call fee	-	-	-	-	-	-	-	-	-	-
Total disbursements	1,251,263	641,700	1,471,600	978,188	1,160,288	2,066,700	1,886,319	725,355	995,693	716,940
Excess of receipts over disbursements	-	-	-	-	-	-	-	-	-	-
Cash at June 30, 2014	-	-	-	-	-	-	-	-	-	-
Accounts Receivable and Payable										
Matured interest and bonds outstanding	-	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-	-
Total accounts receivable and payable	-	-	-	-	-	-	-	-	-	-
Fund Balance at June 30, 2014	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

	<u>Issue of 2010 - QCSB</u>	<u>Issue of 2010 - Ref</u>	<u>Issue of 2010B - Ref</u>	<u>Issue of 2011</u>	<u>Issue of 2011 - Ref</u>	<u>Issue of 2012 - Ref</u>	<u>Issue of 2012B - Ref</u>	<u>Issue of 2013</u>	<u>Total</u>
Cash at July 1, 2013	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:									
Transfers and miscellaneous deposits	1,121,046	453,175	1,686,319	1,170,806	1,541,900	1,049,956	407,925	269,215	19,594,388
Disbursements:									
Bonds paid	483,660	355,000	1,190,000	495,000	1,380,000	370,000	135,000	115,000	12,288,660
Interest coupons	637,386	98,175	496,319	675,806	161,900	679,956	272,925	154,215	7,305,728
Transfers and miscellaneous	-	-	-	-	-	-	-	-	-
Call fee	-	-	-	-	-	-	-	-	-
Total disbursements	1,121,046	453,175	1,686,319	1,170,806	1,541,900	1,049,956	407,925	269,215	19,594,388
Excess of receipts over disbursements	-	-	-	-	-	-	-	-	-
Cash at June 30, 2014	-	-	-	-	-	-	-	-	-
Accounts Receivable and Payable									
Matured interest and bonds outstanding	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-
Total accounts receivable and payable	-	-	-	-	-	-	-	-	-
Fund Balance at June 30, 2014	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

BOONE COUNTY SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
Boone County High School Activity Fund
For the Year Ended June 30, 2014**

	Fund Balance July 1, 2013	Receipts	Disbursements	Fund Balance June 30, 2014
Academic team	\$ 488	\$ 250	\$ 315	\$ 423
Administrator	4	-	4	-
Advanced Placement	1,997	20,324	19,555	2,766
Art Department	3	4,294	4,247	50
Athletic Concessions	3,090	11,737	11,922	2,905
Athletic Fees	-	7,466	3,839	3,627
Athletics	30,830	83,989	73,274	41,545
Background check	-	560	560	-
Backpack Food Program	240	845	1,017	68
Band	6,536	27,055	30,241	3,350
Band 2012-2013	-	67,088	66,688	400
Baseball	6,530	17,195	16,988	6,737
Basketball - Boys	41,487	15,768	15,478	41,777
Basketball - Girls	11,911	22,452	19,443	14,920
Bowling Team	8,143	8,967	9,202	7,908
Business Ed Department	805	3,130	2,602	1,333
Cheerleaders - JV & Varsity	2,808	35,191	29,850	8,149
Choral Music	36	19,135	18,926	245
Citigroup Scholarship	1,141	7,778	4,479	4,440
Class of 1955 scholarship	55	1,024	1,000	79
Class of 1956 scholarship	25	-	-	25
Class of current	6,284	20,448	24,269	2,463
Copier/Technology	3,739	8,675	7,460	4,954
Cross Country - Boys	535	2,617	2,081	1,071
Cross Country - Girls	922	865	1,523	264
Dr. Edward P & Mary	10,497	13,065	10,000	13,562
Drink Machine	101	478	460	119
English department	-	9,490	9,022	468
Family and Consumer Science	1,684	4,600	6,065	219
FASFF	-	601	601	-
FBLA	113	6,999	6,321	791
FCA	119	-	-	119
FCCLA	129	419	378	170
FEA	4	-	4	-
Fine Arts Department	23	1,500	1,519	4
Football	999	51,283	44,371	7,911
Forensic Nationals	1	139	-	140
Forensic Team	35	23,698	21,994	1,739
French Club	74	612	548	138

BOONE COUNTY SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
Boone County High School Activity Fund (Continued)
For the Year Ended June 30, 2014**

	Fund Balance July 1, 2013	Receipts	Disbursements	Fund Balance June 30, 2014
Freshman Account	\$ 7,570	\$ 4,990	\$ 5,100	\$ 7,460
General	3,826	40,895	37,279	7,442
General Fees	6,599	115,051	116,140	5,510
German Club	120	47	23	144
German National Honor	22	-	-	22
Golf - Boys	2,894	4,120	3,989	3,025
Golf - Girls	1,715	10	159	1,566
Grace Kelly Girls Club	196	100	168	128
Guidance Department	163	656	58	761
Health grant	-	2,375	129	2,246
Int'l Friends Society	1	-	1	-
Jamie Jetter Art	550	200	-	750
Laura Chaney	988	1,000	1,501	487
Library	712	4,768	5,002	478
Literacy initiative	-	10,000	9,996	4
Maintenance	6	-	6	-
Math Department	82	5,803	5,590	295
Men of Boone	8	-	-	8
Meritor Scholarship	1,890	-	1,500	390
Music Honor Society	666	1,330	1,784	212
Nancy Lambers Bresser	1,300	1,000	1,500	800
National Art Honor	451	-	433	18
National French Honor	65	-	47	18
National Honor Society	859	733	1,278	314
Newspaper	536	2,009	2,290	255
Pep Club	112	9	50	71
Photography	23	1,935	1,958	-
Physical Education Department	1,977	2,922	3,962	937
Robotics Team	8	1,405	1,280	133
Science Club	106	723	541	288
Science Department	5,283	31,085	30,413	5,955
Soccer - Boys	8,126	11,696	14,405	5,417
Soccer - Girls	5,503	12,442	13,428	4,517
Social Studies Department	404	19,903	9,756	10,551
Softball	1,613	3,511	2,279	2,845
Spanish Club	30	-	-	30
Special Ed Department	803	8,191	7,073	1,921

BOONE COUNTY SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
Boone County High School Activity Fund (Continued)
For the Year Ended June 30, 2014**

	Fund Balance July 1, 2013	Receipts	Disbursements	Fund Balance June 30, 2014
Spiri-Demic Store	\$ 1,577	\$ 5,661	\$ 4,798	\$ 2,440
Spotlighters	7,567	22,451	14,429	15,589
Spring Musical	1,181	-	1,180	1
Square D	43	-	43	-
Student Council	322	1,438	1,657	103
Student Drink Machine	59	-	59	-
Student Enrichment	3,869	-	3,719	150
Summer enrichme	-	1,650	-	1,650
Swimming	1,165	1,759	2,679	245
Tennis - Boys	1,224	-	961	263
Tennis - Girls	1,080	-	444	636
Testing Committee	2,279	2,089	2,567	1,801
Textbook rental	-	26,000	26,000	-
Track - Boys	3,660	10,598	9,169	5,089
Track - Girls	3,189	10,598	9,443	4,344
Volleyball	3,626	12,485	9,738	6,373
Women of Boone	62	2,004	1,731	335
World Language	1,625	3,378	3,003	2,000
Wrestling	3,169	7,531	8,569	2,131
Yearbook	3,112	13,982	3,658	13,436
Youth Service Center	835	1,629	1,284	1,180
Total	\$ 236,239	\$ 911,899	\$ 850,495	\$ 297,643

BOONE COUNTY SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
Conner High School Activity Fund
For the Year Ended June 30, 2014**

	Fund Balance July 1, 2013	Receipts	Disbursements	Fund Balance June 30, 2014
Arts & Humanities	\$ 24	\$ -	\$ -	\$ 24
American Sign Language	104	-	-	104
A+ Certification	2,069	-	2,021	48
Academic Team	35	1,425	1,087	373
Agenda Book	-	3,949	2,566	1,383
AP US History	1	451	450	2
Art	2,428	9,533	11,121	840
Art Club	472	365	827	10
Athletic Fees	10,000	9,585	6,270	13,315
Athletic	12,723	47,475	46,438	13,760
Athletic Director	-	1,000	-	1,000
Band	544	19,998	18,427	2,115
Fees for Band	2,919	19,826	17,777	4,968
Baseball	1,780	10,564	8,745	3,599
33rd District Baseball	511	-	511	-
Basketball/Boys	13,512	27,039	21,526	19,025
Basketball/Girls	17,857	27,336	24,057	21,136
BETA Science Club	81	-	-	81
Bus Grant Pathway to Fin Success	1,537	-	935	602
Career Choices	18	-	-	18
CD Interest	1,186	2,478	-	3,664
Character Counts	3,713	3,975	6,553	1,135
Cheerleaders	9,861	44,290	44,274	9,877
Choirs	14,476	28,054	35,718	6,812
CHS Scholarship	1,045	1,000	2,000	45
Citi Foundation 2012-13	2,515	-	2,515	-
Citi Foundation 2013-14	-	8,682	6,899	1,783
Citi Reserve Account	1,995	2,466	1,401	3,060
Clearing	-	30,050	30,050	-
Community Education	28	-	28	-
Cougarettes	834	596	604	826
Cougars for a Cause	269	236	251	254
Credit Recovery Program	-	460	160	300
Cross Country	700	3,987	2,277	2,410
CTE	1,233	6,878	6,730	1,381
District Basketball	-	-	-	-
District Football	-	3,156	3,156	-
33rd District Softball	364	-	364	-
Drama	1,425	1,022	1,153	1,294
Soft Drinks - Faculty Account	442	1,228	1,234	436
Drinks/Snack - Student Account	5,051	2,869	7,485	435
Earth Club	1,135	38	-	1,173

BOONE COUNTY SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
Conner High School Activity Fund (Continued)
For the Year Ended June 30, 2014**

	Fund Balance July 1, 2013	Receipts	Disbursements	Fund Balance June 30, 2014
English	\$ 1,336	\$ 969	\$ 1,758	\$ 547
F.B.L.A	411	2,100	2,309	202
F.C.C.L.A.	125	-	125	-
F.F.A.	327	12,294	11,396	1,225
Faculty	121	7	115	13
Fees	2,577	124,414	109,713	17,278
Fellowship of Christian Athletes	29	-	20	9
Football	16,301	63,420	62,887	16,834
Freshman Integrity Team	2	500	468	34
Freshman Pride Team	1	500	393	108
Freshman Honor Team	49	500	540	9
Future Educators America	731	831	1,097	465
General	2,200	8,452	6,194	4,458
Golf/Boys	80	1,804	1,156	728
Golf/Girls	516	1,297	948	865
Guidance	8,327	34,394	32,230	10,491
Hispanic Honor Society	177	1,928	1,785	320
History Club	-	28	28	-
John Hoffman Scholarship	4,745	-	500	4,245
Invisible Children Fund	385	-	-	385
Jazz Band	222	717	889	50
Junior Class	9,878	21,094	19,704	11,268
Latin Club	303	7,214	7,443	74
Leadership League	36	-	-	36
Library	580	582	876	286
Men/Woman of Conner	97	182	275	4
Math	-	1,190	1,190	-
Greg Millar Athletic Scholarship	-	500	500	-
Model United Nations	45	-	-	45
National Honor Society	2,204	3,039	5,041	202
Parking	4,124	4,659	4,410	4,373
Physical Education	25	300	256	69
Postage	41	362	-	403
Background Checks	-	430	430	-
Scholarships	6,336	8,700	6,700	8,336
Science	3,552	16,663	18,052	2,163
Senior Class	6,702	17,257	21,362	2,597
Skills USA	-	234	-	234
Soccer/Boys	5,202	10,134	10,956	4,380
Soccer/Girls	9,150	13,382	6,516	16,016

BOONE COUNTY SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
Conner High School Activity Fund (Continued)
For the Year Ended June 30, 2014**

	Fund Balance July 1, 2013	Receipts	Disbursements	Fund Balance June 30, 2014
Social Studies	\$ 492	\$ 3,155	\$ 1,940	\$ 1,707
Softball	4,338	6,241	5,409	5,170
Special Education	-	500	500	-
Speech & Forensics	82	-	-	82
Stock Purchase	9	3	-	12
Student Government	2,023	-	200	1,823
Summer School	12,196	3,640	10,359	5,477
Swimming	2,871	3,442	5,682	631
The Cougar Crew	611	2,378	1,317	1,672
Technology Fee	8,427	13,522	18,990	2,959
Tennis/Boys	107	820	611	316
Tennis/Girls	13	500	-	513
Textbooks	3,000	48,561	51,339	222
Track	2,728	17,768	14,501	5,995
Tri-M	179	572	268	483
Technology Student Association	2	4,750	3,466	1,286
Video Production	3,082	1,971	3,885	1,168
Volleyball	313	3,356	2,501	1,168
Warfield Scholarship	186	-	-	186
Winter Guard	85	-	20	65
World Language	33	4,059	3,920	172
Wrestling	7,978	12,224	10,121	10,081
Yearbook	218	-	-	218
Total	\$ 248,797	\$ 807,550	\$ 788,901	\$ 267,446

BOONE COUNTY SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
Cooper High School Activity Fund
For the Year Ended June 30, 2014**

	Fund Balance July 1, 2013	Receipts	Disbursements	Fund Balance June 30, 2014
Academic Team	\$ 1,413	\$ 374	\$ 1,787	\$ -
Act Prep Class	523	-	-	523
AG/Floral	2,681	2,464	4,010	1,135
Agenda	-	3,965	3,925	40
Ambassadors	35	-	-	35
Anime Club	8	-	5	3
Archery club	-	240	145	95
Art	545	3,980	4,525	-
Athletic Administration	1,789	70,980	72,742	27
Athletic Fees	813	15,209	15,840	182
Band	6,846	15,384	21,295	935
Baseball	1,502	7,219	3,692	5,029
Basketball Boys	4,780	15,019	14,539	5,260
Basketball Girls	840	18,551	15,315	4,076
Biology club	-	800	719	81
Bowling Team	8,261	6,273	6,798	7,736
Calculus club	59	1,440	1,385	114
CBI	30	-	-	30
CCHS Sports Medicine	578	-	578	-
Cheerleading	12,520	25,092	32,984	4,628
Cheerleading competition	3,488	49,772	50,202	3,058
Chorus	2,394	11,896	13,166	1,124
Class of 2015	-	1,226	-	1,226
Class of 2016	-	332	-	332
Cooper Store	84	14,949	12,359	2,674
Credit Recovery	-	9,135	271	8,864
Cross Country Boys	464	3,230	2,239	1,455
Cross Country Girls	5	1,684	1,684	5
CTE Club	-	2,071	2,071	-
Dance Team	317	6,389	6,372	334
Dishon Scholarship	-	1,000	1,000	-
Drama	1,329	11,558	5,889	6,998
Energy Team	358	-	-	358
FACS	-	80	76	4
Faculty Scholarship	100	-	-	100
FBLA	412	2,725	2,292	845
FCCLA	68	2,534	2,602	-
FFA	460	17,027	16,410	1,077

BOONE COUNTY SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
Cooper High School Activity Fund (Continued)
For the Year Ended June 30, 2014**

	Fund Balance July 1, 2013	Receipts	Disbursements	Fund Balance June 30, 2014
FFA Greenhouse	\$ 662	\$ -	\$ -	\$ 662
FMP	250	701	726	225
Football	13,447	36,750	29,407	20,790
French	148	1,513	1,347	314
German Club	284	5,602	5,645	241
Golf Boys	14	818	625	207
Golf Girls	215	720	804	131
Guidance	2,526	50,515	48,499	4,542
Health - PE	1	2,213	2,214	-
Hospitality Fund	-	820	802	18
Interest	28	-	28	-
Jag Graphics	66	952	978	40
Jaquiner	96	375	471	-
Junior Class	-	333	333	-
KY background checks	-	650	620	30
Make a difference	-	243	225	18
Math Department	-	3,545	3,545	-
Media Center	2,144	1,380	922	2,602
National Ary Honor Society	-	552	534	18
National Honor Society	891	2,378	2,345	924
National Spanish exams	-	356	356	-
NSF Checks	11	557	518	50
Nutcracker	-	115	115	-
Odyssey of the mind	-	200	200	-
Office	344	2,732	2,579	497
Parking Passes	2,825	4,570	7,395	-
PE Summer School	1,650	4,050	1,809	3,891
PEP Club	-	166	-	166
RCHS Character Scholarship	2,000	-	1,000	1,000
Science Department	1	13,728	13,729	-
Science Honor Society	209	1,309	-	1,518
Senior Board	1,283	13,137	14,420	-
Service Learning	719	-	300	419
Shanty Town	8	-	8	-
Soccer Boys	245	3,880	2,741	1,384
Soccer Girls	1,986	2,032	926	3,092
Social Studies Department	-	3,178	3,178	-
Softball	2,343	2,000	2,630	1,713
Spanish Club	149	-	-	149
Spanish Honor Society	257	1,452	975	734

BOONE COUNTY SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
Cooper High School Activity Fund (Continued)
For the Year Ended June 30, 2014**

	Fund Balance July 1, 2013	Receipts	Disbursements	Fund Balance June 30, 2014
Special Education	\$ -	\$ 1,000	\$ 1,000	\$ -
Speech & Drama	48	1,475	1,523	-
St. Elizabeth Healthcare	258	10,014	9,864	408
STLP Club	370	110	-	480
Student Council	2,330	25,345	22,602	5,073
Student Fees	11,081	129,580	131,947	8,714
Summer CTA	2,850	2,400	2,841	2,409
Summer School	6,701	1,080	7,781	-
Swimming	2,517	3,127	3,043	2,601
Technology	-	11,859	11,859	-
Tennis Boys	190	928	1,015	103
Tennis Girls	193	-	70	123
Textbook	-	33,997	33,997	-
Track Boys	1,354	4,206	4,534	1,026
Track Girls	347	4,672	4,729	290
Turf Account	1,000	-	-	1,000
Vending	1,447	5,902	300	7,049
Vending Faculty	173	765	938	-
Vending Students	251	1,969	2,220	-
Vocabulary books	-	1,155	-	1,155
Volleyball	976	5,956	5,184	1,748
Volleyball - districts	-	1,582	1,582	-
World Language	-	3,446	3,446	-
Wrestling	2,349	5,693	5,771	2,271
Yearbook	14,148	11,862	20,558	5,452
Total	\$ 136,087	\$ 754,243	\$ 746,670	\$ 143,660

BOONE COUNTY SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
Larry A. Ryle High School Activity Fund
For the Year Ended June 30, 2014**

	Fund Balance July 1, 2013	Receipts	Disbursements	Fund Balance June 30, 2014
Academic Team	\$ 900	\$ -	\$ 900	\$ -
Academic Team	900	204	448	656
ACT Summer Program	1,526	-	-	1,526
Agenda	-	6,487	-	6,487
Annual	9,868	-	9,868	-
Archery Club	65	6,605	5,376	1,294
Art Club	566	3,374	3,609	331
Art Department	38	2,234	2,211	61
Art Honor Society	27	-	-	27
Athletic Administration	12,529	23,175	26,122	9,582
Athletic Concession	2,307	3,502	374	5,435
Athletic Fees	795	20,135	20,035	895
Athletic Gate Clearing	3,743	97,545	97,300	3,988
Band Music	-	3,600	2,745	855
Bank of KY - Other	715	-	-	715
Baseball	8,939	34,166	33,787	9,318
Boone Union LDG Scholarship	-	500	500	-
Boys Basketball	7,908	35,113	35,735	7,286
Business Education	2,076	7,305	5,537	3,844
Campus Store	3,166	12,164	13,920	1,410
Cheerleading	2,995	26,191	28,931	255
Choral Music	820	10,722	10,918	624
Class 2013	537	-	537	-
Class 2014	4,559	14,415	18,974	-
Class 2015	-	32,889	26,092	6,797
Computer Fund	-	26,743	1,574	25,169
Copier Account	13,557	5,000	906	17,651
Credit Recovery	2,389	310	2,699	-
Cross Country	20,286	13,329	15,735	17,880
Dance team	5,828	28,286	27,652	6,462
District Basketball	-	16,848	16,848	-
District Boys Soccer	-	4,990	4,990	-
District Volleyball	25	-	25	-
Drama	4,346	15,299	11,990	7,655
Drama Grant	688	-	-	688
English Department	1,519	15,882	15,885	1,516
English Honor Society	538	2,043	1,522	1,059
Enviro School Resource	354	-	-	354

BOONE COUNTY SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
Larry A. Ryle High School Activity Fund (Continued)
For the Year Ended June 30, 2014**

	Fund Balance July 1, 2013	Receipts	Disbursements	Fund Balance June 30, 2014
Exceptional Students	\$ 1,300	\$ 3,279	\$ 2,825	\$ 1,754
F.B.L.A.	4,236	24,587	27,540	1,283
F.C.C.L.A.	218	5,953	6,155	16
F.C.S.	1,364	33,058	34,249	173
F.F.A.	2,117	18,387	19,220	1,284
F.F.A. grant	-	2,245	2,245	-
Fellowship of Christian Athletes	35	-	-	35
Flat Fees	1,579	50,340	51,779	140
Football	1,181	59,320	59,973	528
Football Playoffs	65	-	-	65
Foreign Language	3,931	3,600	7,361	170
Forensics	2,373	15,110	15,075	2,408
French Club	76	-	-	76
French Honor Society	163	570	447	286
Freshman Football	-	-	-	-
Future Educators	210	-	-	210
General	22,200	18,855	15,442	25,613
German Club	93	1,014	1,059	48
German Honor Society	204	395	557	42
Girls Basketball	12,156	21,950	23,019	11,087
Golf Boys Varsity	6,630	11,868	8,505	9,993
Golf Girls	1,188	2,794	2,201	1,781
Guidance Department	9,012	71,869	74,320	6,561
Homecoming Dance	580	21,020	21,100	500
Janitorial Supply	5,354	7,945	1,850	11,449
Journalism Club	17	-	-	17
Library	4,092	4,712	4,363	4,441
Lost Book Fund	23,077	1,081	3,667	20,491
Marching Band	17,220	72,551	79,737	10,034
Math Department	910	8,038	6,525	2,423
Math honor society	1,852	2,252	1,607	2,497
Men and Women of Ryle	126	-	-	126
Meritor Scholarship	-	2,000	2,000	-
MH Room	981	450	495	936
MOS	16,059	11,675	11,129	16,605
National Honor Society	5,261	5,867	3,416	7,712
Ocial Smith Award	9,774	-	-	9,774
Odyssey of Mind	13	-	-	13
Office Supply	4,971	1,178	3,849	2,300
PCGB Donation	7,450	-	3,403	4,047

BOONE COUNTY SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
Larry A. Ryle High School Activity Fund (Continued)
For the Year Ended June 30, 2014**

	Fund Balance July 1, 2013	Receipts	Disbursements	Fund Balance June 30, 2014
Pep Club	\$ 214	\$ -	\$ -	\$ 214
Physical Education	866	2,500	1,386	1,980
Postage	12	1,529	1,541	-
Regional Boys Soccer	-	5,225	5,225	-
Regional Cross Country	1,563	-	1,563	-
Regional volleyball	-	7,381	7,381	-
Robotic Club	280	-	257	23
Science Department	3,070	20,797	21,592	2,275
Science Honor Society	595	276	605	266
Soccer Boys	13,135	23,991	25,906	11,220
Soccer Girls	5,325	16,334	14,118	7,541
Social Studies	4,478	7,655	11,792	341
Softball	3,194	3,446	6,441	199
Spanish Club	20	-	-	20
Spanish Honor Society	506	1,031	1,305	232
Stadium Project	16,242	4,505	10,080	10,667
Student Ambassador Organization	59	-	39	20
Student Council	946	5,498	5,334	1,110
Student Scholarship Reward	15,067	3,386	14,067	4,386
Student Vending	1,145	13,472	12,434	2,183
Summer School	12,260	11,861	12,935	11,186
Swim Team	256	13,211	13,467	-
Teacher Vending	-	2,191	2,191	-
Technology	156	-	-	156
Technology Club	70	-	-	70
Teens Helping Kids Club	211	-	-	211
Tennis Boys	2,533	4,955	5,129	2,359
Tennis Girls	2,055	1,500	698	2,857
Tente	28	-	-	28
Text Book Rental	274	60,878	61,152	-
Track	1,033	30,931	30,460	1,504
Vocational Agriculture Dept	8,314	931	5,467	3,778
Volleyball	2,659	35,412	29,391	8,680
Wrestling	7,641	24,286	27,041	4,886
Yearbook	-	45,250	29,575	15,675
Total	\$ 386,784	\$ 1,301,451	\$ 1,297,430	\$ 390,805

BOONE COUNTY SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
School Activity Fund
For the Year Ended June 30, 2014**

	<u>Conner Middle School</u>	<u>Gray Middle School</u>	<u>Ockerman Middle School</u>	<u>R.A. Jones Middle School</u>	<u>Camp Ernst Middle School</u>
Fund balances at July 1, 2013	\$ 201,978	\$ 124,721	\$ 87,901	\$ 39,365	\$ 141,168
Add: receipts	394,789	474,464	281,435	185,571	288,114
Less: disbursements	<u>(432,466)</u>	<u>(461,371)</u>	<u>(274,378)</u>	<u>(181,740)</u>	<u>(338,901)</u>
Fund balance at June 30, 2014	<u>\$ 164,301</u>	<u>\$ 137,814</u>	<u>\$ 94,958</u>	<u>\$ 43,196</u>	<u>\$ 90,381</u>
	<u>A.M. Yealey Elementary</u>	<u>Burlington Elementary</u>	<u>Collins Elementary</u>	<u>Longbranch Elementary</u>	<u>North Points Elementary</u>
Fund balances at July 1, 2013	\$ 56,877	\$ 44,191	\$ 29,078	\$ 38,466	\$ 87,256
Add: receipts	131,269	157,255	156,121	364,559	107,487
Less: disbursements	<u>(135,365)</u>	<u>(159,547)</u>	<u>(153,501)</u>	<u>(353,089)</u>	<u>(123,276)</u>
Fund balance at June 30, 2014	<u>\$ 52,781</u>	<u>\$ 41,899</u>	<u>\$ 31,698</u>	<u>\$ 49,936</u>	<u>\$ 71,467</u>
	<u>Goodridge Elementary</u>	<u>Kelly Elementary</u>	<u>New Haven Elementary</u>	<u>Ockerman Elementary</u>	<u>Stephens Elementary</u>
Fund balances at July 1, 2013	\$ 127,503	\$ 14,019	\$ 46,879	\$ 37,387	\$ 16,203
Add: receipts	145,620	42,852	153,693	286,671	113,578
Less: disbursements	<u>(142,888)</u>	<u>(34,445)</u>	<u>(153,828)</u>	<u>(271,079)</u>	<u>(106,319)</u>
Fund balance at June 30, 2014	<u>\$ 130,235</u>	<u>\$ 22,426</u>	<u>\$ 46,744</u>	<u>\$ 52,979</u>	<u>\$ 23,462</u>
	<u>Erpenbeck Elementary</u>	<u>Florence Elementary</u>	<u>Shirley Mann Elementary</u>	<u>Thornwilde Elementary</u>	<u>Total</u>
Fund balances at July 1, 2013	\$ 37,360	\$ 48,858	\$ 30,845	\$ 22,729	\$ 1,232,784
Add: receipts	179,516	82,095	165,046	116,372	3,826,507
Less: disbursements	<u>(157,397)</u>	<u>(73,746)</u>	<u>(167,108)</u>	<u>(103,304)</u>	<u>(3,823,748)</u>
Fund balance at June 30, 2014	<u>\$ 59,479</u>	<u>\$ 57,207</u>	<u>\$ 28,783</u>	<u>\$ 35,797</u>	<u>\$ 1,235,543</u>

BOONE COUNTY SCHOOL DISTRICT

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Agreement Number	Federal Expenditures for FYE 6/30/2014
<u>U.S. Department of Education</u>			
<i>Passed through Kentucky Department of Education</i>			
Special Education Cluster			
Special Education Grants to States	84.027	3810002 12	\$ 441,411
Special Education Grants to States	84.027	3810002 13	388,437
Special Education Grants to States	84.027	3810002 14	1,693,623
Special Education Preschool Grants	84.173	3800002 12	22,862
Special Education Preschool Grants	84.173	3800002 13	15,713
Special Education Preschool Grants	84.173	3800002 14	122,194
Total Special Education Cluster			<u>2,684,240</u>
Title I Grants to Local Educational Agencies	84.010A	3100002 13	461,707
Title I Grants to Local Educational Agencies	84.010A	3100002 12	83,203
Title I Grants to Local Educational Agencies	84.010A	3100002 14	1,186,494
Total CFDA #84.010			<u>1,731,404</u>
Career and technical Education -Basic Grants to States	84.048	3710002 12	1,439
Career and technical Education -Basic Grants to States	84.048	3710002 13	9,797
Career and technical Education -Basic Grants to States	84.048	3710002 14	107,298
Total CFDA #84.048			<u>118,534</u>
Fund for the Improvement of Education	84.215E	S215E120422 - 13	553,096
English Language Acquisition State Grants	84.365	3300002 11	41,089
English Language Acquisition State Grants	84.365	3300002 12	40,204
English Language Acquisition State Grants	84.365	3300002 13	100,755
Total CFDA #84.365			<u>182,048</u>
Title II Improving Teacher Quality State Grants	84.367	3230002 12	457
Title II Improving Teacher Quality State Grants	84.367	3230002 13	26,701
Title II Improving Teacher Quality State Grants	84.367	3230002 14	228,402
Total CFDA #84.367			<u>255,560</u>
School Improvement Grants	84.377	3100202 12	38,039
School Improvement Grants	84.377	3100202 13	65,341
Total CFDA #84.377			<u>103,380</u>
School Improvement Grants - ARRA	84.388	4100302 09	10,714
Race to the Top	84.413	3960002 11	53,299
Twenty-First Century Community Learning Centers	84.287C	3400002 12	69,506
Twenty-First Century Community Learning Centers	84.287C	3400002 13	33,282
Total CFDA #84.287C			<u>102,788</u>
Total U.S. Department of Education			<u><u>3,110,823</u></u>
<u>U.S. Department of Agriculture</u>			
Child Nutrition Cluster			
<i>Passed through Kentucky Department of Education</i>			
National School Lunch Program	10.555	7750002 14	3,143,644
School Breakfast Program	10.553	7760005 14	600,525
Summer Food Service Program for Children	10.559	7740023 13	15,758
<i>Passed through Kentucky Department of Agriculture</i>			
National School Lunch Program - Food Donation	10.555	059-0203	120,205
Total Child Nutrition Cluster			<u>3,880,132</u>
Total U.S. Department of Agriculture			<u><u>3,880,132</u></u>
Total Expenditures of Federal Awards			<u><u>\$ 9,675,195</u></u>

BOONE COUNTY SCHOOL DISTRICT

Notes to the Schedule of Federal Awards For the Year Ended June 30, 2014

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Boone County School District under programs of the federal government for the year ended June 30, 2014, and is reported 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*. Because the schedule presents only a selected portion of the operations of Boone County School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

NOTE 2 - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. For the year ended June 30, 2014, the District reported food commodities expended in the amount of \$433,152.



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

To the Members of the Board of Education
Boone County School District
Florence, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Boone County School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Boone County School District's basic financial statements, and have issued our report thereon dated November 13, 2014.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 Boone County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the District in a separate letter dated November 13, 2014.

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

(Continued)

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.

Burns, Deering & Co., Ltd.

Crestview Hills, Kentucky
November 13, 2014



**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
Boone County School District
Florence, Kentucky

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Boone County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 Boone County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

(Continued)

expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Boone County School District's internal control over compliance.

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

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

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.

Burns, Dennig & Co., Ltd.

Crestview Hills, Kentucky
November 13, 2014

BOONE COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

SECTION I -SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

CFDA No.	Name of Federal Program or Cluster
10.553/10.555/10.559 84.010	Child Nutrition Cluster Title I Grants to Local Educational Agencies

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters are reportable

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COST

No matters are reportable

BOONE COUNTY SCHOOL DISTRICT

**Schedule of Prior Year Findings and Questioned Costs
Year Ended June 30, 2014**

SECTION I -SUMMARY OF PRIOR YEAR AUDITOR'S RESULTS

No matters are reportable

SECTION II – PRIOR YEAR FINANCIAL STATEMENT FINDINGS

Statement of prior year deficiency: It was noted that the Food Service Department does not adhere to a budget. A budget is prepared, but is not reviewed by anyone outside of the Food Service Director. Large variances between budgeted and actual expenses were noted that had not been explained.

Current year follow-up: There were no such instances noted in the current year.

SECTION III – PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COST

No matters are reportable

BOONE COUNTY SCHOOL DISTRICT

**Management Letter Comments
For the Year Ended June 30, 2014**

In planning and performing our audit of the financial statements of Boone County School District for the year ended June 30, 2014, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

This letter summarizes our comments and suggestions regarding those matters. A separate report dated October 29, 2014 contains our report on significant deficiencies and material weaknesses in the District's internal control structure. This letter does not affect our report dated October 29, 2014, on the financial statements of the Boone County School District.

CURRENT YEAR RECOMMENDATIONS

CENTRAL OFFICE

2014-01 – Lack of physical copy of teacher's certificate

Criteria – Per best practices recommended by the Kentucky Department of Education, schools should have a copy of every teacher's certificate on file.

Condition – During the testing of payroll, it was noted that a teacher's certificate was not in their personnel file; rather it was in an online database.

Effect – Proper procedures regarding personnel files were not followed.

Cause – The employee has yet to provide an updated copy to the District.

Recommendation – We recommend the District obtain copies of certificates upon the start of employment.

Board Response – The District will require a copy of certificates upon the start of employment.

ACTIVITY FUNDS

Boone County High School

No matters are reportable

Conner High School

No matters are reportable

Cooper High School

No matters are reportable

BOONE COUNTY SCHOOL DISTRICT

**Management Letter Comments
For the Year Ended June 30, 2014**

CURRENT YEAR RECOMMENDATIONS (Continued)

Larry A. Ryle High School

2014-02: Monthly financial statements not prepared and reviewed timely

Criteria – Per best practices recommended by the Kentucky Department of Education, schools should have a process in place to prepare and review the monthly financial reports each month.

Condition – During the testing of the Activity Funds, it was noted that several of the monthly reports were prepared at the same time.

Effect – Proper documentation of the monthly financial process was not followed.

Cause – Internal controls were not properly followed as designed by the District.

Recommendation – We recommend that the financial secretary prepare and submit the monthly financial reports to the principal for review each month. Further, we recommend the district finance officer to work with the financial secretary to ensure the monthly reports are being prepared timely.

Board Response – The finance officer has provided additional training to the proper employees to strengthen the controls over preparation and review the monthly financials reports each month in a timely manner.

2014-03: Standard invoices were not signed by recipient

Criteria – Per best practices recommended by the Kentucky Department of Education, standard invoices must have a confirmation signature of the person receiving the goods or services before payment can be processed.

Condition – During the testing of the Activity Funds, it was noted that several standard invoices were not signed by the recipient.

Effect – Proper documentation of the approval process was not followed.

Cause – Internal controls were not properly followed as designed by the District.

Recommendation – We recommend that all standard invoices be signed by the recipient and a review of all standard invoices takes place prior to payment processing.

Board Response – The finance officer has provided additional training to the proper employees to strengthen the controls over the proper documentation of the approval process.

BOONE COUNTY SCHOOL DISTRICT

**Management Letter Comments
For the Year Ended June 30, 2014**

CURRENT YEAR RECOMMENDATIONS (Continued)

Larry A. Ryle High School (Continued)

2014-04: Monies on hand were not deposited on a timely basis

Criteria – Per best practices recommended by the Kentucky Department of Education, monies collected should be deposited on a daily basis. If the amount is less than \$100, the monies should be deposited on a weekly basis at a minimum.

Condition – During the testing of the Activity Funds, it was noted that monies received were not deposited until eight days after receipt.

Effect – Proper procedures of the cash collection and deposit process were not followed.

Cause – Internal controls were not properly followed as designed by the District.

Recommendation – We recommend that all monies received are deposited on a daily basis regardless of the amount received.

Board Response – The finance officer has provided additional training to the proper employees to strengthen the controls procedure for the timely deposit of monies on hand.

Boone County Adult High School

No matters are reportable

Camp Ernst Middle School

No matters are reportable

Conner Middle School

No matters are reportable

BOONE COUNTY SCHOOL DISTRICT

**Management Letter Comments
For the Year Ended June 30, 2014**

CURRENT YEAR RECOMMENDATIONS (Continued)

Gray Middle School

2014-05: Monthly financial statements not prepared and reviewed timely

Criteria – Per best practices recommended by the Kentucky Department of Education, schools should have a process in place to prepare and review the monthly financial reports each month.

Condition – During the testing of the Activity Funds, it was noted that several of the monthly reports were not prepared and reviewed on a timely basis.

Effect – Proper documentation of the monthly financial process was not followed.

Cause – Internal controls were not properly followed as designed by the District.

Recommendation – We recommend that the financial secretary prepare and submit the monthly financial reports to the principal for review each month. Further, we recommend the district finance officer to work with the financial secretary to ensure the monthly reports are being prepared timely.

Board Response – The finance officer has provided additional training to the proper employees to strengthen the controls over preparation and review the monthly financials reports each month in a timely manner.

Ockerman Middle School

No matters are reportable

R.A. Jones Middle School

No matters are reportable

Burlington Elementary

No matters are reportable

BOONE COUNTY SCHOOL DISTRICT

**Management Letter Comments
For the Year Ended June 30, 2014**

CURRENT YEAR RECOMMENDATIONS (Continued)

Collins Elementary

2014-06: Monthly financial statements not prepared and reviewed timely

Criteria – Per best practices recommended by the Kentucky Department of Education, schools should have a process in place to prepare and review the monthly financial reports each month.

Condition – During the testing of the Activity Funds, it was noted that several of the monthly reports were not prepared and reviewed on a timely basis.

Effect – Proper documentation of the monthly financial process was not followed.

Cause – Internal controls were not properly followed as designed by the District.

Recommendation – We recommend that the financial secretary prepare and submit the monthly financial reports to the principal for review each month. Further, we recommend the district finance officer to work with the financial secretary to ensure the monthly reports are being prepared timely.

Board Response – The finance officer has provided additional training to the proper employees to strengthen the controls over preparation and review the monthly financials reports each month in a timely manner.

2014-07: Late payments and penalties paid

Criteria – Per best practices recommended by the Kentucky Department of Education, schools should make all payments on time in order to prevent additional charges.

Condition – During the testing of the Activity Funds, it was noted that there were several late payments and penalties paid during the year.

Effect – Proper payment processing was not followed.

Cause – Internal controls were not properly followed as designed by the District.

Recommendation – We recommend that all payments are made prior to their due date.

Board Response – The finance officer has provided additional training to the proper employees to ensure procedures are in place for the proper preparation and review of all payments in a timely manner.

Erpenbeck Elementary

No matters are reportable

Florence Elementary

No matters are reportable

Goodridge Elementary

No matters are reportable

BOONE COUNTY SCHOOL DISTRICT

**Management Letter Comments
For the Year Ended June 30, 2014**

CURRENT YEAR RECOMMENDATIONS (Continued)

Charles H. Kelly Elementary

No matters are reportable

Longbranch Elementary

No matters are reportable

Shirley Mann Elementary

No matters are reportable

New Haven Elementary

No matters are reportable

North Pointe Elementary

No matters are reportable

Ockerman Elementary

No matters are reportable

Stephens Elementary

No matters are reportable

Thornwilde Elementary

No matters are reportable

BOONE COUNTY SCHOOL DISTRICT

**Management Letter Comments
For the Year Ended June 30, 2014**

CURRENT YEAR RECOMMENDATIONS (Continued)

Yealey Elementary

No matters are reportable

FOOD SERVICE DEPARTMENT

2014-08: Food Service financial oversight

Criteria – Federal guidelines regarding cash management of Food Service operations suggest a balance of three to four months of operating expense is adequate.

Condition –During out testing of the Food Service, it was noted that the cash balance exceeded three to four months of operating expenses.

Effect – Food service may see a reduction in the per meal federal funding reimbursement rate.

Cause – Cash accumulation over a number of operating cycles and the delay of implementing the plan to upgrade Food Service equipment throughout the District.

Recommendation – We recommend the District aggressively pursue their implantation plan of equipment upgrades throughout the District.

Board Response – The District has been in process of developing a plan of upgrade to equipment and line operation of the cafeterias. Also staffing levels are being reviewed to insure maximum efficiency in servicing the students. The effects of implementation will be seen in future periods.

BOONE COUNTY SCHOOL DISTRICT

Management Letter Comments For the Year Ended June 30, 2014

STATUS OF PRIOR YEAR RECOMMENDATIONS

CENTRAL OFFICE

Statement of prior year deficiency:

- It was noted several of the outstanding checks for the District's bank account used for payroll were several years old.
- It was noted that I-9's were not kept on file for two former employees.
- It was noted that some of the orders of treasury did not contain the required approval signatures.

Current year follow-up: There were no such instances noted in the current year.

ACTIVITY FUNDS

General Findings for All Schools

Statement of prior year deficiency:

- It was noted several individuals indicated they felt the School Activity Funds were an area that could be potentially vulnerable to fraudulent activity.
- It was noted several schools which did not have adequate documentation and approval for fund transfers. Redbook requires the use of Transfer Form F-SA-10 for fund transfers, which is to be signed by the sponsor and principal.
- It was noted at several schools that teachers were not transmitting funds collected to the bookkeeper in a timely manner.
- It was noted that several schools did not have adequate documentation as to what expenses were paid using money raised through fundraisers.

Current year follow-up: There were no such instances noted in the current year.

Boone County High School

Statement of prior year deficiency: It was noted that purchase orders are not always prepared and approved prior to items being purchased. Redbook requires purchase orders to be prepared and approved by the sponsor and principal before the payment is obligated.

Current year follow-up: There were no such instances noted in the current year.

Conner High School

No matters are reportable

Cooper High School

No matters are reportable

BOONE COUNTY SCHOOL DISTRICT

**Management Letter Comments
For the Year Ended June 30, 2014**

STATUS OF PRIOR YEAR RECOMMENDATIONS (Continued)

Larry A. Ryle High School

Statement of prior year deficiency: It was noted that purchase orders are not always prepared and approved prior to items being purchased. Redbook requires purchase orders to be prepared and approved by the sponsor and principal before the payment is obligated.

Current year follow-up: There were no such instances noted in the current year.

Boone County Adult High School

No matters are reportable

Camp Ernst Middle School

No matters are reportable

Conner Middle School

No matters are reportable

Gray Middle School

Statement of prior year deficiency: It was noted that multiple receipt forms were not filled out in their entirety and, in some cases, not completed at all.

Current year follow-up: There were no such instances noted in the current year.

Ockerman Middle School

No matters are reportable

R.A. Jones Middle School

Statement of prior year deficiency:

- It was noted that deposits are not always made with the bank on a timely basis. Redbook requires all monies to be deposited on a daily basis, unless there is less than \$100 on hand to deposit.
- It was noted that multiple receipt forms were not filled out in their entirety and, in some cases, not completed at all.
- It was noted that certain funds had negative balances at year end. Redbook requires that no funds should end the year with a negative balance.

Current year follow-up: There were no such instances noted in the current year.

BOONE COUNTY SCHOOL DISTRICT

**Management Letter Comments
For the Year Ended June 30, 2014**

STATUS OF PRIOR YEAR RECOMMENDATIONS (Continued)

Burlington Elementary

Statement of prior year deficiency:

- It was noted that purchase orders are not always prepared and approved prior to items being purchased. Redbook requires purchase orders to be prepared and approved by the sponsor and principal before the payment is obligated.
- It was noted that multiple receipt forms were not filled out in their entirety and, in some cases, not completed at all.

Current year follow-up: There were no such instances noted in the current year.

Collins Elementary

No matters are reportable

Erpenbeck Elementary

Statement of prior year deficiency: It was noted that there was not a separate ticket taker and ticket seller for events in which there are ticket sales. Redbook requires the ticket taker and ticket seller to be two separate people.

Current year follow-up: There were no such instances noted in the current year.

Florence Elementary

No matters are reportable

Goodridge Elementary

Statement of prior year deficiency: It was noted that outstanding checks on the Activity Fund bank reconciliation were over six months old.

Current year follow-up: There were no such instances noted in the current year.

Charles H. Kelly Elementary

Statement of prior year deficiency: It was noted that multiple receipt forms were not filled out in their entirety and, in some cases, not completed at all.

Current year follow-up: There were no such instances noted in the current year.

Longbranch Elementary

No matters are reportable

Shirley Mann Elementary

No matters are reportable

BOONE COUNTY SCHOOL DISTRICT

**Management Letter Comments
For the Year Ended June 30, 2014**

STATUS OF PRIOR YEAR RECOMMENDATIONS (Continued)

New Haven Elementary

No matters are reportable

North Pointe Elementary

No matters are reportable

Ockerman Elementary

No matters are reportable

Stephens Elementary

No matters are reportable

Thornwilde Elementary

Statement of prior year deficiency: It was noted that ticket sale forms were not completed correctly. According to Redbook, the Requisition and Report of Ticket Sales Form (Form F-SA-1) should be used by the person in charge to record the issuances of tickets.

Current year follow-up: There were no such instances noted in the current year.

Yealey Elementary

Statement of prior year deficiency: It was noted that there was not a separate ticket taker and ticket seller for events in which there are ticket sales. Redbook requires the ticket taker and ticket seller to be two separate people.

Current year follow-up: There were no such instances noted in the current year.

FOOD SERVICE DEPARTMENT

Statement of prior year deficiency: It was noted that much of the financial activity of the food service department is handled separately from the District's other financial activity.

Current year follow-up: There were no such instances noted in the current year.