

Revised Audit

Received: 1/14/2015

BOYD COUNTY SCHOOL DISTRICT

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

TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS

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INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for
School District Audits
Members of the Board of Education
Boyd County School District
Ashland, 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 Boyd County School District (the "District") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express

no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis information on pages 6 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2014, on our consideration of Boyd 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 the District's internal control over financial reporting and compliance.

Kelley Galloway Smith Goolsby, PSC

October 17, 2014

**BOYD COUNTY SCHOOL DISTRICT - ASHLAND, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2014**

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

FINANCIAL HIGHLIGHTS

- The District renovates and constructs facilities consistent with a long-range facilities plan that is established with community input and is in compliance with Kentucky Department of Education (KDE) regulations. A new facilities plan was completed during the fall of 2012. Funds used to service debt payments come from categorical state and local funds that can only be used for the payment of facilities construction and renovation.
- The board issued new debt during the 2014 fiscal year in the amount of \$467,870 for the purchase of five school buses. New information was received from the Kentucky School Boards Insurance Trust (KSBIT) regarding our liability from previous participation in KSBIT's general and workers compensation insurance groups. The original estimated amount owed of \$306,413 was reduced to \$147,279. The net effect on the District's total debt of these actions, combined with scheduled payments and other debt activity, was a decrease of \$1,368,041 in outstanding balances during the current fiscal year.
- State funding for the operation of schools in Kentucky is slowly improving. The Kentucky General Assembly met in January 2014 and crafted a biennial state budget for the 2015 and 2016 fiscal years that will increase funding for K-12 schools. This new budget also comes with mandatory salary increases for school staff members, however, that will consume all of the funding increase.
- There is brighter economic news in our local area. The unemployment rate in our county has slowly decreased, and there are signs of new economic activity in our small business community. One of the strongest indicators that conditions are improving was the increase in the collection rate of our district's property tax bills paid during the regular tax collection period for the year. We received 95.5% of current year property taxes billed, which was a 4.7% increase over the budget projection and resulted in \$244,306 more in collections than anticipated. This collection rate was the highest in recent memory.
- The General Fund had approximately \$26.3 million in revenue in 2014 (including capital lease proceeds), which primarily consisted of the state program for school funding (SEEK) and local property, utility, and motor vehicle taxes. There were approximately \$26.0 million in General Fund expenditures this year. The Board's cost cutting measures implemented during the past couple of years have resulted in a healthier bottom line this year.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide

financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Taxes and intergovernmental revenues also support fixed assets and related debt. The government-wide financial statements can be found on pages 10 and 11 of this report.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$20.1 million as of June 30, 2014. The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

Government-wide Basis	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Current Assets	\$ 3,480,074	\$ 3,370,689
Noncurrent Assets	<u>53,030,662</u>	<u>54,022,532</u>
Total Assets	<u>56,510,736</u>	<u>57,393,221</u>
Deferred Outflows	89,277	109,116
Current Liabilities	\$ 3,067,520	\$ 3,174,735
Noncurrent Liabilities	<u>33,431,870</u>	<u>35,023,171</u>
Total Liabilities	<u>36,499,390</u>	<u>38,197,906</u>
Investment in capital assets (net of debt)	18,473,189	18,187,049
Restricted	930,587	972,274
Unrestricted	<u>696,847</u>	<u>145,108</u>
Total Net Position	<u>\$ 20,100,623</u>	<u>\$ 19,304,431</u>

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

	<u>2014</u> Amount	<u>2013</u> Amount
Revenues:		
Local Revenue Sources	\$ 10,745,840	\$ 10,847,553
State Revenue Sources	19,111,300	19,759,110
Direct Federal Sources	1,315,954	1,503,777
Federal Subsidy	525,509	577,360
Indirect Federal Sources	3,313,655	3,304,654
Interest Income	5,708	37,331
Other Sources	<u>791,052</u>	<u>554,810</u>
Total revenues	<u>35,809,018</u>	<u>36,584,595</u>
Expenses:		
Instruction	19,846,661	22,317,307
Student Support Services	1,707,917	1,691,780
Instructional Support	1,293,138	1,215,151
District Administration	634,098	805,525
School Administration	1,396,209	1,479,187
Business Support	450,275	522,610
Plant Operations	4,286,128	3,417,427
Student Transportation	2,192,477	1,811,281
Community Services	236,517	254,145
Food Service Operations	1,523,567	1,101,981
Interest	<u>1,445,839</u>	<u>2,191,022</u>
Total expenses before KSBIT	35,012,826	36,807,416
Extraordinary item - KSBIT	-	306,413
Total expenses	<u>35,012,826</u>	<u>37,113,829</u>
Revenue over (under) expenses	<u>\$ 796,192</u>	<u>\$ (529,234)</u>

FUND BASIS

- The District's total revenues for the governmental funds for the fiscal year ended June 30, 2014 and 2013, net of inter-fund transfers and bond proceeds, was approximately \$34.2 million and \$34.9 million, respectively.
- The total cost of all programs and services for the governmental funds was approximately \$30.8 million and \$31.4 million, net of debt service and facilities acquisition and construction, for the fiscal years ended June 30, 2014 and 2013, respectively.

Comments on Budget Comparisons

- General Fund budgeted local tax revenue compared to actual local tax revenue varied from line item to line item again this year. Local tax collections as a group were \$248,805 above budget projections. We interpret this as an indication that our local economy is recovering from the recession.

CAPITAL ASSETS

At the end of June 30, 2014, the District's investment in capital assets for its governmental and business-type activities was \$53,030,662, representing an decrease of \$904,433, net of depreciation, from the prior year.

DEBT SERVICE

At year-end, the District had approximately \$34.6 million in outstanding debt, compared to \$36.0 million last year. The District continues to maintain favorable debt ratings from Moody's and Standard & Poor's.

FUTURE BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1-June 30; other programs, (i.e. some federal programs) operate on a different fiscal calendar, but are reflected in the District's overall budget. By state law the budget must have a minimum 2% contingency. The District adopted a budget for 2015 with \$1,035,000 in contingency (3.5%). The Governmental Funds beginning unrestricted balance for the 2015 fiscal year is \$1,393,158. Questions regarding this report should be directed to Superintendent R. Brock Walter (606) 928-4141 or to Director of Finance Don Fleu (606) 928-4141 or by mail at 1104 Bob McCullough Drive, Ashland, Kentucky 41102.

BOYD COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,617,728	\$ 513,965	\$ 2,131,693
Receivables (net of allowances for uncollectibles):			
Taxes	752,582	-	752,582
Other	69,620	-	69,620
Interfund receivable	22,652	-	22,652
Intergovernmental - state	397,855	-	397,855
Intergovernmental - federal	32,534	12,515	45,049
Inventories	-	60,623	60,623
Capital assets, not being depreciated	2,095,900	-	2,095,900
Capital assets, being depreciated, net	50,365,934	568,828	50,934,762
Total assets	<u>55,354,805</u>	<u>1,155,931</u>	<u>56,510,736</u>
Deferred Outflows of Resources			
Deferred savings from refunding bonds	89,277	-	89,277
Total deferred outflows of resources	<u>89,277</u>	<u>-</u>	<u>89,277</u>
Liabilities			
Accounts payable	282,244	6,941	289,185
Accrued salaries and benefits payable	526,134	-	526,134
Accrued interest payable	160,035	-	160,035
Deferred revenue	253,516	-	253,516
Portion due or payable within one year:			
Debt obligations	1,838,650	-	1,838,650
Noncurrent liabilities:			
Portion due or payable after one year:			
Debt obligations	32,808,100	-	32,808,100
Accrued sick leave	623,770	-	623,770
Total liabilities	<u>36,492,449</u>	<u>6,941</u>	<u>36,499,390</u>
Net Position			
Net investment in capital assets	17,904,361	568,828	18,473,189
Restricted for:			
Capital projects	350,425	-	350,425
Other purposes	-	580,162	580,162
Unrestricted	696,847	-	696,847
Total net position	<u>\$ 18,951,633</u>	<u>\$ 1,148,990</u>	<u>\$ 20,100,623</u>

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

**BOYD COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
Instruction	\$ 19,846,661	\$ -	\$ 3,415,773	\$ -	\$ (16,430,888)	\$ -	\$ (16,430,888)
Support services:							
Students	1,707,917	-	470,612	-	(1,237,305)	-	(1,237,305)
Instructional staff	1,293,138	-	320,390	-	(972,748)	-	(972,748)
District administration	634,098	-	-	-	(634,098)	-	(634,098)
School administration	1,396,209	-	98,873	-	(1,297,336)	-	(1,297,336)
Business and other support services	450,275	-	41,374	-	(408,901)	-	(408,901)
Operation and maintenance of plant	4,286,128	-	75,009	-	(4,211,119)	-	(4,211,119)
Student transportation	2,192,477	-	57,588	-	(2,134,889)	-	(2,134,889)
Community services	236,517	-	235,731	-	(786)	-	(786)
Interest	1,445,839	-	-	1,098,662	(347,177)	-	(347,177)
Total governmental activities	33,489,259	-	4,715,350	1,098,662	(27,675,247)	-	(27,675,247)
Business-type activities:							
Food service	1,523,567	383,850	1,180,228	-	-	40,511	40,511
Total business-type activities	1,523,567	383,850	1,180,228	-	-	40,511	40,511
Total primary government	\$ 35,012,826	\$ 383,850	\$ 5,895,578	\$ 1,098,662	\$ (27,675,247)	\$ 40,511	\$ (27,634,736)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					\$ 6,945,626	\$ -	\$ 6,945,626
Motor vehicle					1,102,663	-	1,102,663
Utilities					2,311,836	-	2,311,836
Intergovernmental revenues:							
State					17,311,654	-	17,311,654
Investment earnings					5,224	484	5,708
Gain on sale of assets					5,166	-	5,166
Other local revenues					746,410	1,865	748,275
Total general revenues and transfers					28,428,579	2,349	28,430,928
Change in net position					753,332	42,860	796,192
Net position, June 30, 2013, as restated					18,198,301	1,106,130	19,304,431
Net position, June 30, 2014					\$ 18,951,633	\$ 1,148,990	\$ 20,100,623

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

BOYD COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 1,299,291	\$ -	\$ 318,437	\$ 1,617,728
Receivables (net of allowances for uncollectibles):				
Property taxes	752,582	-	-	752,582
Other	9,184	-	60,436	69,620
Interfund receivable	137,518	-	-	137,518
Intergovernmental - state	19,683	378,172	-	397,855
Intergovernmental - federal	-	32,534	-	32,534
Total assets	<u>\$ 2,218,258</u>	<u>\$ 410,706</u>	<u>\$ 378,873</u>	<u>\$ 3,007,837</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 212,507	\$ 42,324	\$ 27,413	\$ 282,244
Interfund payable	-	114,866	-	114,866
Accrued salaries and benefits payable	526,134	-	-	526,134
Deferred revenue	-	253,516	-	253,516
Total liabilities	<u>738,641</u>	<u>410,706</u>	<u>27,413</u>	<u>1,176,760</u>
Fund balances:				
Assigned	-	-	1,035	1,035
Restricted	-	-	350,425	350,425
Non-spendable	-	-	-	-
Unassigned	1,393,158	-	-	1,393,158
Committed	86,459	-	-	86,459
Total fund balances	<u>1,479,617</u>	<u>-</u>	<u>351,460</u>	<u>1,831,077</u>
Total liabilities and fund balances	<u>\$ 2,218,258</u>	<u>\$ 410,706</u>	<u>\$ 378,873</u>	<u>\$ 3,007,837</u>

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

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

Fund balances—total governmental funds	\$ 1,831,077
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	52,461,834
Certain other assets and liabilities are not available to pay current period expenditures and therefore are not reported in the funds.	(160,035)
Savings from refunding bonds are not available to pay current period expenditures and therefore are not reported in the funds.	89,277
Some liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.	<u>(35,270,520)</u>
Net position of governmental activities	<u><u>\$ 18,951,633</u></u>

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

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

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
From local sources:				
Taxes -				
Property	\$ 5,495,306	\$ -	\$ 1,450,320	\$ 6,945,626
Motor vehicles	1,102,663	-	-	1,102,663
Utilities	2,311,836	-	-	2,311,836
Tuition and fees	-	-	-	-
Interest income	4,645	186	393	5,224
Other local revenues	572,246	39,476	174,164	785,886
Intergovernmental - State	16,211,022	1,241,614	1,534,808	18,987,444
Intergovernmental - Federal Through Intermediate Agencies	-	3,624	-	3,624
Intergovernmental - Indirect federal	78,958	2,174,701	-	2,253,659
Intergovernmental - Direct federal	60,019	1,255,935	-	1,315,954
Intergovernmental - Federal subsidy	-	-	525,509	525,509
Total revenues	<u>25,836,695</u>	<u>4,715,536</u>	<u>3,685,194</u>	<u>34,237,425</u>
Expenditures:				
Current:				
Instruction	16,043,043	3,504,259	6,147	19,553,449
Support services:				
Students	1,237,305	470,612	-	1,707,917
Instructional staff	962,940	320,390	9,808	1,293,138
District administration	632,991	-	-	632,991
School administration	1,297,288	98,873	-	1,396,161
Business and other support services	408,901	41,374	-	450,275
Operation and maintenance of plant	3,435,001	75,009	-	3,510,010
Student transportation	1,975,227	57,588	-	2,032,815
Community services	-	235,731	-	235,731
Facilities acquisition and construction	-	-	326,270	326,270
Debt service	35,497	-	3,442,930	3,478,427
Total expenditures	<u>26,028,193</u>	<u>4,803,836</u>	<u>3,785,155</u>	<u>34,617,184</u>
Excess (deficiency) of revenues over expenditures	<u>(191,498)</u>	<u>(88,300)</u>	<u>(99,961)</u>	<u>(379,759)</u>
Other financing sources (uses):				
Gain on sale of equipment	5,582	-	-	5,582
Capital lease proceeds	456,887	-	-	456,887
Transfers in	-	88,300	2,344,268	2,432,568
Transfers out	<u>(88,300)</u>	<u>-</u>	<u>(2,344,268)</u>	<u>(2,432,568)</u>
Total other financing sources and uses	<u>374,169</u>	<u>88,300</u>	<u>-</u>	<u>462,469</u>
Net change in fund balances	182,671	-	(99,961)	82,710
Fund balances, June 30, 2013	<u>1,296,946</u>	<u>-</u>	<u>451,421</u>	<u>1,748,367</u>
Fund balances, June 30, 2014	<u>\$ 1,479,617</u>	<u>\$ -</u>	<u>\$ 351,460</u>	<u>\$ 1,831,077</u>

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

BOYD COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Net change in fund balances---total governmental funds	\$	82,710
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Gain on disposal of assets	(416)	
Capital outlay	882,495	
Depreciation expense	<u>(1,771,112)</u>	(889,033)
<p>Generally, expenditures recognized in the fund financial statements are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred for the following:</p>		
Long-term portion of accrued sick leave		(16,046)
Interest payable		211,453
Capitalized savings from bond refunding amortization expense		(19,839)
Lease issuance costs		(10,983)
<p>Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statements but are reductions of liabilities in the statement of net position.</p>		
		1,851,957
<p>Bond and capital lease proceeds are recognized as current financial resources in the fund financial statements but are increases in liabilities in the statement of net position.</p>		
		<u>(456,887)</u>
Change in net position of governmental activities	\$	<u>753,332</u>

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

BOYD COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2014

	Food Service Fund
Assets	
Current assets:	
Cash and cash equivalents	\$ 513,965
Receivables (net of allowances for uncollectibles)	
Intergovernmental - federal	12,515
Inventories	60,623
Total current assets	587,103
Noncurrent assets:	
Capital assets, net of accumulated depreciation	568,828
Total noncurrent assets	568,828
Total assets	\$ 1,155,931
Liabilities	
Current liabilities:	
Accounts payable	\$ 6,941
Total current liabilities	6,941
Total liabilities	6,941
Net Position	
Net investment in capital assets	568,828
Restricted	580,162
Total net position	1,148,990
Total liabilities and net position	\$ 1,155,931

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

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

	<u>Food Service Fund</u>
Operating revenues:	
Lunchroom sales	\$ 383,850
Miscellaneous	1,865
Total operating revenues	<u>385,715</u>
Operating expenses:	
Salaries and wages	524,661
Employee benefits	246,513
Materials and supplies	670,755
Depreciation	54,264
Other operating expenses	27,374
Total operating expenses	<u>1,523,567</u>
Operating loss	<u>(1,137,852)</u>
Nonoperating revenues:	
Federal grants	976,570
Investment income	484
Donated commodities	79,802
State grants	123,856
Total nonoperating revenue	<u>1,180,712</u>
Increase in net position	42,860
Net position, June 30, 2013	<u>1,106,130</u>
Net position, June 30, 2014	<u><u>\$ 1,148,990</u></u>

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

BOYD COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Food Service Fund
Cash flows from operating activities:	
Cash received from:	
Lunchroom sales	\$ 383,850
Miscellaneous	1,865
Cash paid to/for:	
Payments to suppliers and providers of goods and services	(554,424)
Payments to employees	(664,033)
Other payments	(27,374)
Net cash used for operating activities	<u>(860,116)</u>
Cash flows from noncapital financing activities:	
Government grants	<u>1,046,587</u>
Net cash provided by noncapital and related financing activities	<u>1,046,587</u>
Cash flows from capital and related financing activities:	
Purchases of capital assets	<u>(38,864)</u>
Net cash used for capital and related financing activities	<u>(38,864)</u>
Cash flows from investing activities:	
Interest received on investments	<u>484</u>
Net cash provided by investing activities	<u>484</u>
Net increase in cash and cash equivalents	148,091
Cash and cash equivalents, June 30, 2013	<u>365,874</u>
Cash and cash equivalents, June 30, 2014	<u>\$ 513,965</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (1,137,852)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	54,264
Donated commodities	79,802
On-behalf payments	107,141
Change in assets and liabilities:	
Inventory	31,679
Accounts payable	<u>4,850</u>
Net cash provided by (used for) operating activities	<u>\$ (860,116)</u>
Non-cash items:	
Donated commodities	\$ 79,802
On-behalf payments	107,141

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

**BOYD COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014**

	Trust Funds	Day Care Funds	Activity Funds
Assets			
Cash and cash equivalents	\$ 101,454	\$ -	\$ 432,895
Accounts receivable	-	22,912	5,262
Total assets	101,454	22,912	438,157
Liabilities			
Accounts payable	-	-	60,436
Interfund payable	-	22,652	-
Due to students	-	-	377,721
Total liabilities	-	22,652	438,157
Net position held in trust	\$ 101,454	\$ 260	\$ -

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

BOYD COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Trust Funds	Day Care Funds
Additions -		
Interest income	\$ 152	\$ -
Other local revenues	-	220,970
Intergovernmental - State (on-behalf)	-	21,573
	152	242,543
Deductions -		
Operating expenses	-	242,635
Benefits paid	2,011	-
	2,011	242,635
Change in net position	(1,859)	(92)
Net position, June 30, 2013	103,313	352
Net position, June 30, 2014	\$ 101,454	\$ 260

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

BOYD COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes -				
Property	\$ 5,040,600	\$ 5,251,000	\$ 5,495,306	\$ 244,306
Motor vehicles	950,000	960,000	1,102,663	142,663
Utilities	2,400,000	2,450,000	2,311,836	(138,164)
Tuition and fees	-	-	-	-
Interest income	3,000	3,000	4,645	1,645
Other local revenues	452,500	562,500	572,246	9,746
Intergovernmental - State	16,473,158	16,411,123	16,211,022	(200,101)
Intergovernmental - Indirect federal	40,000	60,000	78,958	18,958
Intergovernmental - Direct federal	63,000	63,000	60,019	(2,981)
Total revenues	<u>25,422,258</u>	<u>25,760,623</u>	<u>25,836,695</u>	<u>76,072</u>
Expenditures:				
Current:				
Instruction	15,643,305	16,426,855	16,043,043	383,812
Support services:				
Students	1,359,950	1,242,882	1,237,305	5,577
Instructional staff	926,401	968,492	962,940	5,552
District administration	591,710	599,655	632,991	(33,336)
School administration	1,367,858	1,447,622	1,297,288	150,334
Business and other support services	452,204	474,226	408,901	65,325
Operation and maintenance of plant	3,159,641	3,136,518	3,435,001	(298,483)
Student transportation	1,426,756	1,519,740	1,975,227	(455,487)
Community services	16,859	-	-	-
Debt service	32,625	32,625	35,497	(2,872)
Facilities acquisition and construction	-	-	-	-
Contingency	662,449	1,121,049	-	1,121,049
Total expenditures	<u>25,639,758</u>	<u>26,969,664</u>	<u>26,028,193</u>	<u>941,471</u>
Excess (deficiency) of revenues over expenditures	<u>(217,500)</u>	<u>(1,209,041)</u>	<u>(191,498)</u>	<u>1,017,543</u>
Other financing sources (uses):				
Gain on sale of equipment	7,500	5,500	5,582	82
Capital lease proceeds	-	-	456,887	456,887
Transfers in	-	-	-	-
Transfers out	-	(95,000)	(88,300)	6,700
Total other financing sources and uses	<u>7,500</u>	<u>(89,500)</u>	<u>374,169</u>	<u>463,669</u>
Net change in fund balances	<u>(210,000)</u>	<u>(1,298,541)</u>	<u>182,671</u>	<u>1,481,212</u>
Fund balances, June 30, 2013	<u>210,000</u>	<u>1,296,946</u>	<u>1,296,946</u>	<u>-</u>
Fund balances, June 30, 2014	<u>\$ -</u>	<u>\$ (1,595)</u>	<u>\$ 1,479,617</u>	<u>\$ 1,481,212</u>

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

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Interest income	\$ -	\$ -	\$ 186	\$ 186
Other local revenues	12,000	32,528	39,476	6,948
Intergovernmental - State	1,209,586	1,325,031	1,241,614	(83,417)
Intergovernmental - Federal Through Intermediate Agencies	-	1,500	3,624	2,124
Intergovernmental - Indirect federal	1,951,663	2,078,332	2,174,701	96,369
Intergovernmental - Direct federal	1,436,247	1,364,563	1,255,935	(108,628)
Total revenues	<u>4,609,496</u>	<u>4,801,954</u>	<u>4,715,536</u>	<u>(86,418)</u>
Expenditures:				
Current:				
Instruction	3,456,604	3,615,976	3,504,259	111,717
Support services:				
Students	376,178	348,417	470,612	(122,195)
Instructional staff	306,589	387,099	320,390	66,709
District administration	-	-	-	-
School administration	95,004	121,575	98,873	22,702
Business and other support services	53,498	43,800	41,374	2,426
Operation and maintenance of plant	49,520	74,567	75,009	(442)
Student transportation	38,131	30,000	57,588	(27,588)
Community services	233,972	231,720	235,731	(4,011)
Total expenditures	<u>4,609,496</u>	<u>4,853,154</u>	<u>4,803,836</u>	<u>49,318</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(51,200)</u>	<u>(88,300)</u>	<u>(37,100)</u>
Other financing sources (uses):				
Transfers in	-	51,200	88,300	37,100
Transfers out	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>51,200</u>	<u>88,300</u>	<u>37,100</u>
Net change in fund balances	-	-	-	-
Fund balances, June 30, 2013	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, June 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

BOYD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

(1) REPORTING ENTITY

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

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

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

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

Boyd County School District Finance Corporation

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

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

Government-wide statements provide information about the primary government (the District). The statements include a statement of net position and a statement of activities. These

statements report the financial activities of the overall government, except for fiduciary activities. They also distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

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

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

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 Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes.
 - 1. The Special Revenue Fund includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally

funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

2. The District Activity Fund is a special revenue fund used to account for funds collected at individual schools for operation costs of the school or school district that allows for more flexibility in the expenditure of those funds.
- (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 the Proprietary Fund).
1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
 2. The Facility Support Program of Kentucky (FSPK) Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
 3. The School Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction expenditures.
- (D) The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related costs; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

II. Proprietary Fund (Enterprise Fund)

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

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

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

Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions - Revenues resulting from exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis

when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

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

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as needed.

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditure) 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.

Property Taxes

Property taxes collected are recorded as revenues in the fund for which they were levied. The District's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District. The assessed value of property upon which the levy for the 2014 fiscal year was based was \$1,273,622,682.

The tax rates assessed for the year ended June 30, 2014 to finance general fund operations were \$0.539 on real estate and \$0.539 per \$100 valuation on tangible property.

Taxes are due on October 1 and become delinquent by February 1 following the October 1 levy date. Current tax collections for the year ended June 30, 2014 were 95.50% of the tax levy.

In-Kind

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

Cash and Cash Equivalents

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

Inventories

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

Capital Assets

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

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

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

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

Interfund Balances

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

Budgetary Process

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

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

Accrued Liabilities and Long-Term Obligations

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

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

Fund Balance Reserves

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

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

Net 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 School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses

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

Interfund Activity

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

Estimates

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

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 School District's past experience of making termination payments. The entire compensated absence liability is reported on the government-wide financial statements.

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

Bond Issuance Costs

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

New Accounting Pronouncements

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

The Governmental Accounting Standards Board (GASB) issued GASB No. 68, *Accounting and Financial Reporting for Pensions*, which changes the way pensions are reported on the financial statements of employers. Employers participating in a multi-employer cost-sharing plan will be required to report net pension liability on the entity-wide statements for their proportionate share of the liability. Districts will be required to record net pension liability for their share off the liability associated with employees participating in County Employees Retirement System (CERS) as well as any district-sponsored pension plans. There will be little to no impact on the balance sheets of the

governmental funds. Additional note disclosures and required supplementary information (RSI) are also addressed in the Standard. Kentucky Department of Education will be working with KTRS and Kentucky Retirement Systems in the months ahead to provide guidance for the implementation issues facing school districts. The Standard is effective for fiscal year ending June 30, 2015. Management has not yet determined the effect this statement will have on the financial statements.

(3) DEBT OBLIGATIONS

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

Bonds

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

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

<u>Issue</u>	<u>Original Amount</u>	<u>Interest Rates</u>
Issue of 1996	\$ 425,000	4.60-5.70%
Issue of 2008	5,950,000	2.30-3.50%
Issue of 2009R	1,490,000	2.00-3.00%
Issue of 2009	810,000	1.75-4.20%
Issue of 2011	<u>32,970,000</u>	1.25-6.25%
	<u>\$ 41,645,000</u>	

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

KSBIT Payable

The Kentucky School Boards Insurance Trust ("KSBIT") notified the District during fiscal year 2013 that their self-insurance pools for worker's compensation and liability insurance were underfunded. As a result, an assessment will be required under a fair methodology to be approved by the Kentucky Department of Insurance, of current and past participating members to fund the deficit and the transfer of liability to a qualified insurer/reinsurer. On May 13, 2014, the court approved the plan of assessment tendered by KSBIT and approved the Loss Portfolio Transfer to Kentucky Employers Mutual Insurance ("KEMI"). As a result the District's portion of the liability was reduced from \$306,413 to \$147,279. The District took the option of paying 25% down by August 31, 2014 and financing the remaining balance over 6 years to be paid in equal annual installments beginning August 31, 2015 with no interest.

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

Description	Balance at June 30, 2013	Additions	Payments	Balance at June 30, 2014
General obligation bonds - \$41,645,000 originally issued with interest rates ranging from 1.25% to 6.25%	\$ 35,615,000	\$ -	\$ 1,675,000	\$ 33,940,000
KISTA	196,861	467,870	27,827	636,904
KSBIT Payable	306,413	-	159,134	147,279
Accumulated unpaid sick leave benefits	607,724	16,046	-	623,770
Less: Discounts on bonds	(87,437)	-	(10,004)	(77,433)
	<u>\$ 36,638,561</u>	<u>\$ 483,916</u>	<u>\$ 1,851,957</u>	<u>\$ 35,270,520</u>

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

Assuming no issues are called prior to scheduled maturity and that the Kentucky School Facilities Construction Commission continues to renew its agreement, the minimum obligations at June 30, 2014 for debt service (principal and interest) are as follows:

Year	Kentucky School Facilities Construction Commission		Boyd County School District		Total
	Principal	Interest	Principal	Interest	
2015	\$ 352,781	\$ 220,372	\$ 1,485,869	\$ 954,157	\$ 3,013,179
2016	364,206	208,948	1,484,565	920,337	2,978,056
2017	366,724	197,003	1,513,875	883,949	2,961,551
2018	345,779	184,828	1,556,288	843,932	2,930,827
2019	339,275	173,064	1,576,353	810,751	2,899,443
2020-2024	1,144,947	705,558	8,503,521	3,349,696	13,703,722
2025-2029	1,334,955	404,119	9,535,045	1,849,859	13,123,978
2030-2031	582,494	51,572	4,237,506	240,378	5,111,950
	<u>\$ 4,831,161</u>	<u>\$ 2,145,464</u>	<u>\$ 29,893,022</u>	<u>\$ 9,853,059</u>	<u>\$ 46,722,706</u>

Promissory Note

On September 25, 2013 the District signed a short-term promissory note in the amount of \$1,000,000 to help the District's cash flows. The note was paid off in full plus \$1,114 of interest on November 13, 2013.

(4) ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. At June 30, 2014, this amount totaled \$623,770. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination

payments. The liability is based on the School District's past experience of making termination payments.

(5) RETIREMENT PLANS

A. Kentucky Teachers Retirement System:

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

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

Funding policy - Contribution rates are established by KRS. Effective July 1, 2013, members are required to contribute 11.355% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries for members in a state retirement system before July 1, 2008 and 14.105% for members hired after July 1, 2008. Effective July 1, 2013, for members whose salaries are federally funded, the District contributes 14.605% of salaries.

The District's total payroll for the year was \$16,609,382. The payroll for employees covered under KTRS was \$14,614,792. For the years ended June 30, 2014, 2013, and 2012, the Commonwealth of Kentucky contributed \$1,713,198, \$1,795,229, and \$1,833,976, respectively, to KTRS for the benefit of the District's participating employees. The District's contributions to KTRS for the years ending June 30, 2014, 2013, and 2012 were \$240,459, \$228,621, and \$215,449, respectively, which represents those employees covered by Federal programs.

B. Medical Insurance Plan

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

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

Funding policy - In order to fund the post-retirement healthcare benefit, active member contributions are matched by the state at 0.75% of members' gross salaries. Member contributions are 2.25% of salary. Also, premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

Additionally, the District pays 1.5% of member's salary for the 2013-2014 fiscal year.

C. County Employee's Retirement System:

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

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

Plan members are required to contribute 5% of their annual creditable compensation, and the District is required to contribute 18.89% of the employee's total compensation. Plan members hired after July 1, 2008 contribute an additional 1% towards health insurance. The contribution requirements of CERS members and the District are established and may be amended by the CERS Board of Trustees. The District's total payroll for the year was \$16,609,382. The payroll for employees covered under CERS was \$4,946,664. The District's contributions to CERS for the years ending June 30, 2014, 2013, and 2012 were \$934,833, \$1,021,288, and \$997,179, respectively, equal to the required contributions for the year.

(6) CASH AND CASH EQUIVALENTS

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

At June 30, 2014, the carrying amount of the Board's cash and cash equivalents was \$2,666,042 and the bank balances totaled \$3,326,757. Of the total bank balances, \$1,048,607 was insured by Federal Depository insurance, with the remainder covered by a collateral agreement and collateral held by the pledging banks' trust departments in the District's name.

General Fund cash and cash equivalents at June 30, 2014 consisted of a money market checking account.

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

(7) CAPITAL ASSETS

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

<u>Governmental Activities</u>	<u>June 30, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2014</u>
Capital Assets, Not Depreciated:				
Land	\$ 2,095,900	\$ -	\$ -	\$ 2,095,900
Construction in progress	34,378,547	-	34,378,547	-
Capital Assets, Depreciated:				
Land improvements	19,450	-	-	19,450
Buildings and improvements	60,769,285	34,773,172	-	95,542,457
Technology equipment	3,835,686	21,100	3,270	3,853,516
Vehicles	3,366,711	456,887	25,000	3,798,598
General	1,297,080	9,883	-	1,306,963
Infrastructure	98,716	-	-	98,716
Totals at historical cost	<u>105,861,375</u>	<u>35,261,042</u>	<u>34,406,817</u>	<u>106,715,600</u>
Less: accumulated depreciation -				
Land improvements	(7,079)	(973)	-	(8,051)
Buildings and improvements	(44,591,392)	(1,384,982)	-	(45,976,374)
Technology equipment	(3,577,078)	(121,203)	(2,854)	(3,695,427)
Vehicles	(3,217,753)	(172,566)	(25,000)	(3,365,319)
General	(1,072,490)	(86,452)	-	(1,158,942)
Infrastructure	(44,716)	(4,936)	-	(49,652)
Total accumulated depreciation	<u>(52,510,508)</u>	<u>(1,711,112)</u>	<u>(27,854)</u>	<u>(54,253,766)</u>
Governmental Activities Capital Assets - Net	<u>\$ 53,350,867</u>	<u>\$ 33,489,930</u>	<u>\$ 34,378,963</u>	<u>\$ 52,461,834</u>
Business - Type Activities				
Capital Assets, Depreciated:				
Food service equipment	\$ 1,220,502	\$ 38,864	\$ -	\$ 1,259,366
Buildings and improvements	63,756	-	-	63,756
Technology equipment	54,833	-	-	54,833
Totals at historical cost	<u>1,339,091</u>	<u>38,864</u>	<u>-</u>	<u>1,377,955</u>
Less: accumulated depreciation				
Food service and equipment	(683,876)	(50,337)	-	(734,213)
Buildings and improvements	(19,339)	(2,550)	-	(21,889)
Technology equipment	(51,648)	(1,377)	-	(53,025)
Total accumulated depreciation	<u>(754,863)</u>	<u>(54,264)</u>	<u>-</u>	<u>(809,127)</u>
Business-Type Activities Capital Assets - Net	<u>\$ 584,228</u>	<u>\$ (15,400)</u>	<u>\$ -</u>	<u>\$ 568,828</u>

Depreciation expense was allocated to governmental functions as follows:

Instruction	\$ 833,391
District administration	1,107
School administration	48
Business support services	-
Plant operation & maintenance	776,118
Student transportation	159,662
Community services	786
	<u>\$ 1,771,112</u>

(8) OPERATING LEASES

The District has operating lease agreements for use of equipment and various parcels of real estate cancelable annually with the option to renew. The District recognizes the expenditures related to those obligations as lease payments are made. Total rent expenditures under operating type leases were approximately \$154,425.

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

<u>Year Ending June 30,</u> 2015	<u>Total</u> <u>\$ 60,000</u>
-------------------------------------	----------------------------------

(9) COMMITMENTS AND CONTINGENCIES

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

The District has no outstanding construction commitments at June 30, 2014. The District is subject to certain legal proceedings arising from normal business activities. Administrative officials believe that these actions are without merit or that the ultimate liability, if any, resulting from them will not materially affect the accompanying financial statements.

(10) RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District carries their insurance with Kentucky Employers' Mutual Insurance (KEMI), which is located in Lexington Kentucky. KEMI is a mutual insurance company regulated by the Kentucky Department of Insurance. The District pays annual premiums for their coverage. The premium for workers' compensation is based on a formula. The District is assigned a classification code for their industry and each classification code has a corresponding rate. Multiplying the rate times the estimated payroll for operations then dividing by 100 will give the base premium. In some cases, modifiers may also be added, based on eligibility, which may increase or decrease the premium. In other cases, additional coverages may be requested that increase the premium.

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

(11) COBRA

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

(12) ON-BEHALF PAYMENTS

For the year ended June 30, 2014, total payments of \$5,603,145 were made by the Commonwealth of Kentucky on behalf of the District for life insurance, health insurance, and KTRS matching and administrative fees, and SFCC debt service. These payments were recognized as on-behalf payments and are recorded in the appropriate revenue and expense accounts on the Statement of Activities and the Government Funds Statement of Revenue, Expenditures and Changes in Fund Balance.

On-behalf payments as June 30, 2014 consisted of the following:

<u>Plan/Description</u>	<u>Amount</u>
Kentucky Teachers Retirement System	\$ 1,713,198
Health and Life Insurance Plans	3,301,200
Technology	15,595
Debt Service	573,153

(13) TRANSFER OF FUNDS

The following transfers were made during the year.

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	General Fund	Special Revenue Fund	Originally posted to the incorrect Fund	\$ 1,200
Operating	General Fund	Special Revenue Fund	Technology Match	87,100
Debt Service	Capital Outlay	Debt Service Fund	Debt Service	2,119,614
Debt Service	Building Fund	Debt Service Fund	Debt Service	224,654

(14) CHANGES IN BEGINNING NET POSITION

Governmental Accounting Standards Board No. 65 required changes to the beginning balances of the Statement of Net Position. Beginning net position of the governmental activities was increased \$109,116 to capitalize the deferred savings from refunding bonds issued prior to the 2013-14 fiscal year. Beginning net position of the governmental activities was decreased \$132,738 to expense bond issuance costs capitalized prior to the 2013-14 fiscal year. In addition, the beginning net position for the governmental activities was increased \$87,437 to capitalize the discounts. The net effect of these changes is an addition of \$63,815 to the beginning net position.

SUPPLEMENTAL INFORMATION

BOYD COUNTY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2014

	Capital Project Funds	Debt Service Funds	District Activity Funds	Total Non-Major Governmental Funds
ASSETS:				
Cash and cash equivalents	\$ 193,244	\$ 27,413	\$ 97,780	\$ 318,437
Accounts receivable	-	-	60,436	60,436
Total assets	<u>\$ 193,244</u>	<u>\$ 27,413</u>	<u>\$ 158,216</u>	<u>\$ 378,873</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts payable	\$ -	\$ 27,413	\$ -	\$ 27,413
Total liabilities	<u>-</u>	<u>27,413</u>	<u>-</u>	<u>27,413</u>
Fund Balances:				
Assigned	1,035	-	-	1,035
Restricted	192,209	-	158,216	350,425
Total fund balance	<u>193,244</u>	<u>-</u>	<u>158,216</u>	<u>351,460</u>
Total liabilities and fund balances	<u>\$ 193,244</u>	<u>\$ 27,413</u>	<u>\$ 158,216</u>	<u>\$ 378,873</u>

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

	Capital Project Funds	Debt Service Funds	District Activity Fund	Total Non-Major Governmental Funds
REVENUES:				
From local sources -				
Property taxes	\$ 1,450,320	\$ -	\$ -	\$ 1,450,320
Earnings on investments	386	-	7	393
Miscellaneous	-	-	174,164	174,164
Intergovernmental - State	961,655	573,153	-	1,534,808
Intergovernmental - Federal Subsidy	-	525,509	-	525,509
Total revenues	<u>2,412,361</u>	<u>1,098,662</u>	<u>174,171</u>	<u>3,685,194</u>
EXPENDITURES:				
Current -				
Facilities acquisition and construction	326,270	-	-	326,270
Debt service	-	3,442,930	-	3,442,930
Instruction	-	-	6,147	6,147
Support services:				
Instructional staff	-	-	9,808	9,808
Total expenditures	<u>326,270</u>	<u>3,442,930</u>	<u>15,955</u>	<u>3,785,155</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,086,091</u>	<u>(2,344,268)</u>	<u>158,216</u>	<u>(99,961)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	2,344,268	-	2,344,268
Operating transfers out	<u>(2,344,268)</u>	<u>-</u>	<u>-</u>	<u>(2,344,268)</u>
Total other financing sources (uses)	<u>(2,344,268)</u>	<u>2,344,268</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(258,177)	-	158,216	(99,961)
FUND BALANCE JUNE 30, 2013	<u>451,421</u>	<u>-</u>	<u>-</u>	<u>451,421</u>
FUND BALANCE JUNE 30, 2014	<u>\$ 193,244</u>	<u>\$ -</u>	<u>\$ 158,216</u>	<u>\$ 351,460</u>

BOYD COUNTY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NON-MAJOR CAPITAL PROJECT FUNDS
 JUNE 30, 2014

	SEEK Funds	FSPK Fund	Boyd County School District Finance Corporation	Construction Fund	Total Capital Project Funds
ASSETS:					
Cash and cash equivalents	\$ 136,955	\$ 55,254	\$ 1,035	\$ -	\$ 193,244
Accounts receivable	-	-	-	-	-
Total assets	<u>\$ 136,955</u>	<u>\$ 55,254</u>	<u>\$ 1,035</u>	<u>\$ -</u>	<u>\$ 193,244</u>
LIABILITIES AND FUND BALANCE:					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Assigned	-	-	1,035	-	1,035
Restricted for KSFCC Escrow	136,955	55,254	-	-	192,209
Total fund balance	<u>136,955</u>	<u>55,254</u>	<u>1,035</u>	<u>-</u>	<u>193,244</u>
Total liabilities and fund balances	<u>\$ 136,955</u>	<u>\$ 55,254</u>	<u>\$ 1,035</u>	<u>\$ -</u>	<u>\$ 193,244</u>

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

	SEEK Funds	FSPK Fund	Boyd County School District Finance Corporation	Construction Fund	Total Capital Project Funds
REVENUES:					
From local sources -					
Property taxes	\$ -	\$ 1,450,320	\$ -	\$ -	\$ 1,450,320
Earnings on investments	202	198	(14)	-	386
Other local revenues	-	-	-	-	-
Intergovernmental - State	292,361	669,294	-	-	961,655
Total revenues	<u>292,563</u>	<u>2,119,812</u>	<u>(14)</u>	<u>-</u>	<u>2,412,361</u>
EXPENDITURES:					
Current -					
Facilities acquisition and construction	-	-	-	326,270	326,270
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>326,270</u>	<u>326,270</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>292,563</u>	<u>2,119,812</u>	<u>(14)</u>	<u>(326,270)</u>	<u>2,086,091</u>
OTHER FINANCING SOURCES (USES):					
Operating transfers in	-	-	-	-	-
Operating transfers out	(224,654)	(2,119,614)	-	-	(2,344,268)
Total other financing sources (uses)	<u>(224,654)</u>	<u>(2,119,614)</u>	<u>-</u>	<u>-</u>	<u>(2,344,268)</u>
NET CHANGE IN FUND BALANCES	67,909	198	(14)	(326,270)	(258,177)
FUND BALANCE JUNE 30, 2013	<u>69,046</u>	<u>55,056</u>	<u>1,049</u>	<u>326,270</u>	<u>451,421</u>
FUND BALANCE JUNE 30, 2014	<u>\$ 136,955</u>	<u>\$ 55,254</u>	<u>\$ 1,035</u>	<u>\$ -</u>	<u>\$ 193,244</u>

BOYD COUNTY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NON-MAJOR DEBT SERVICE FUNDS
 JUNE 30, 2014

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

BOYD COUNTY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NON-MAJOR DEBT SERVICE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2014

	1972 & 1978 Bond Fund	1996 Bond Fund	2008 Bond Fund	2009R Bond Fund	2009 Bond Fund	2010 Bond Fund	Totals Debt Service Fund
REVENUES:							
Intergovernmental - State	\$ -	\$ 35,700	\$ 25,114	\$ 161,033	\$ 56,195	\$ 295,111	\$ 573,153
Intergovernmental - Federal subsidy	-	-	-	-	-	525,509	525,509
Interest income	-	-	-	-	-	-	-
Total revenues	<u>-</u>	<u>35,700</u>	<u>25,114</u>	<u>161,033</u>	<u>56,195</u>	<u>820,620</u>	<u>1,098,662</u>
EXPENDITURES:							
Debt service	-	35,700	568,870	161,033	56,195	2,621,132	3,442,930
Total expenditures	<u>-</u>	<u>35,700</u>	<u>568,870</u>	<u>161,033</u>	<u>56,195</u>	<u>2,621,132</u>	<u>3,442,930</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES							
	<u>-</u>	<u>-</u>	<u>(543,756)</u>	<u>-</u>	<u>-</u>	<u>(1,800,512)</u>	<u>(2,344,268)</u>
OTHER FINANCING SOURCES (USES):							
Operating transfers in	-	-	543,756	-	-	1,800,512	2,344,268
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>543,756</u>	<u>-</u>	<u>-</u>	<u>1,800,512</u>	<u>2,344,268</u>
NET CHANGE IN FUND BALANCES							
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE JUNE 30, 2013							
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE JUNE 30, 2014							
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

BOYD COUNTY SCHOOL DISTRICT
STATEMENT OF GRANT, RECEIPTS,
DISBURSEMENTS AND FUND BALANCE
HEAD START
GRANT PROJECT NO. 04-CH-002409/48
FOR THE YEAR ENDED JUNE 30, 2014

AMOUNT OF GRANT		\$ 1,364,563
	<u>Budget</u>	<u>Actual</u>
RECEIPTS -		
OCD Funds -		
Amounts awarded this budget period	\$ 1,364,563	\$ 1,255,935
Grantee's contributions	341,141	341,141
	<u>1,705,704</u>	<u>1,597,076</u>
DISBURSEMENTS -		
OCD's Share -		
Head Start Full-Year/Part-Day (PA 20 & 22)		
Direct costs -		
Personnel	859,143	745,934
Fringe benefits	333,930	266,214
Supplies	17,386	19,572
Contractual	144,437	208,427
Travel	1,500	10,638
Other	8,167	5,150
	<u>1,364,563</u>	<u>1,255,935</u>
Grantee's Share -		
Head Start Full-Year/Part-Day (PA 20 & 22)	341,141	341,141
Grantee's Total	<u>341,141</u>	<u>341,141</u>
Total disbursements	<u>1,705,704</u>	<u>1,597,076</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	-	-
ACCOUNTS RECEIVABLE	<u>-</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2014	<u>\$ -</u>	<u>\$ -</u>

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

	Cash Balance June 30, 2013	Receipts	Disbursements	Cash Balance June 30, 2014	Accounts Receivable	Accounts Payable	Deposits Held in Custody for Students June 30, 2014
Boyd County High School	\$ 47,096	\$ 377,808	\$ 375,509	\$ 49,395	\$ -	\$ 14,673	\$ 34,722
Boyd County Middle School	68,840	189,126	228,315	29,651	-	-	29,651
Cannonsburg Elementary	14,472	50,655	63,806	1,321	-	-	1,321
R.O.S.E. Society	4,644	2,495	3,893	3,246	-	-	3,246
Ponderosa Elementary	45,847	37,560	73,222	10,185	-	-	10,185
Summit Elementary	22,701	112,425	94,919	40,207	-	31,098	9,109
Catlettsburg Elementary	9,872	83,811	84,898	8,785	-	7,172	1,613
Early Childhood Learning Center	7,472	23,836	30,704	604	-	-	604
Cannonsburg Day Care	13,360	14,457	13,952	13,865	-	-	13,865
Boyd County Child Care	216,253	222,587	188,121	250,719	5,262	-	255,981
Youth Services Center	13,074	18,781	20,089	11,766	-	-	11,766
Vocational School	13,344	29,790	29,983	13,151	-	7,493	5,658
	<u>\$ 476,975</u>	<u>\$ 1,163,331</u>	<u>\$ 1,207,411</u>	<u>\$ 432,895</u>	<u>\$ 5,262</u>	<u>\$ 60,436</u>	<u>\$ 377,721</u>

BOYD COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
SCHOOL ACTIVITY FUNDS
BOYD COUNTY HIGH SCHOOL
FOR THE YEAR ENDED JUNE 30, 2014

	Cash Balance June 30, 2013	Receipts	Disburse- ments	Cash Balance June 30, 2014	Accounts Receivable (Accounts Payable)	Deposits Held in Custody for Students June 30, 2014
Activity	\$ 105	\$ 1,230	\$ 1,329	\$ 6	\$ (6)	\$ -
AP Exams	126	3,428	3,554	-	-	-
Apple Fund	6	-	-	6	-	6
Archery	1,328	3,965	3,437	1,856	-	1,856
Art	152	105	239	18	(18)	-
Arts and Humanities	3	348	251	100	(100)	-
Astro/Science Grant	-	500	495	5	-	5
Athletics	46	89,606	89,467	185	-	185
Band	344	2,874	3,218	-	-	-
Bass Fishing Club	805	1,662	1,413	1,054	-	1,054
BCHS Gifted	4	-	-	4	(4)	-
Beta Club	242	4,012	4,229	25	-	25
Boyd's Bistro	2,678	3,548	4,331	1,895	-	1,895
Boys BK Boosters	150	-	150	-	-	-
Boys Golf	1,289	1,660	1,468	1,481	-	1,481
Boys/Girls Track	-	9,703	9,703	-	-	-
Bus Transportation	-	9,739	9,739	-	-	-
Choir	35	2,823	2,858	-	-	-
Choir Uniforms	764	1,112	1,587	289	(289)	-
Choir (Special Fund)	1,314	10,315	11,005	624	(624)	-
College Fair	56	-	55	1	(1)	-
College Health	25	-	25	-	-	-
Correspondence	13	-	13	-	-	-
Cross Country/Track	368	1,277	1,645	-	-	-
Drama Club	-	2,634	154	2,480	-	2,480
Electronic Transfer	-	171	22	149	-	149
Emergency Relief Fund	2	-	-	2	-	2
Emmons Scholarship	5,410	3,335	-	8,745	(8,745)	-
English Department	702	1	-	703	(703)	-
Ext. School Service	11	-	11	-	-	-
Family Consumer Science	317	3,422	3,511	228	(228)	-
FCA	97	-	-	97	-	97
FCCLA	564	10,980	11,544	-	-	-
FFA	20	-	-	20	-	20
First Priority	36	-	30	6	-	6
FMD / Autism	476	1,246	1,478	244	(244)	-
Foundation Grant	500	-	-	500	-	500
Freshmen	118	-	118	-	-	-
Friendship Fund	101	1,158	1,259	-	-	-
Future Educators of Am.	76	540	453	163	-	163
Girls Basketball Boosters	-	23,656	22,272	1,384	-	1,384
Girls Golf	1,064	1,500	1,075	1,489	-	1,489
Guidance	-	1,670	1,670	-	-	-
History Club	17	-	-	17	-	17
Human Rights Club	38	-	-	38	-	38
Insurance	-	40	40	-	-	-
Junior Class	1,695	8,462	7,762	2,395	-	2,395

BOYD COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
SCHOOL ACTIVITY FUNDS
BOYD COUNTY HIGH SCHOOL - CONCLUDED
FOR THE YEAR ENDED JUNE 30, 2014

	Cash Balance June 30, 2013	Receipts	Disburse- ments	Cash Balance June 30, 2014	Accounts Receivable (Accounts Payable)	Deposits Held in Custody for Students June 30, 2014
Key Club	465	9,604	9,962	107	-	107
KUNA	-	4,330	4,315	15	-	15
KYA Gifted	116	7,455	7,455	116	-	116
Library	436	1,262	1,491	207	(207)	-
Lions Publishing	472	-	464	8	-	8
Math	667	916	823	760	(760)	-
Miscellaneous	1	-	-	1	-	1
Mock Trial	9	-	-	9	-	9
Mu Alpha Theta	108	-	-	108	-	108
Newspaper	17	-	-	17	-	17
NJROTC - FR	1,208	18,620	18,584	1,244	-	1,244
NJROTC - UMS	-	2,408	2,330	78	-	78
Online Reading Grant	-	495	-	495	-	495
Operations	404	34,675	34,048	1,031	(1,031)	-
P.E.	1	-	-	1	(1)	-
Pep Club	138	4	-	142	-	142
Poetry Fund	-	1,250	906	344	-	344
Registrar	422	513	571	364	(364)	-
Rifle Team	132	-	-	132	-	132
Science	177	4,457	3,968	666	(666)	-
Science Club	510	88	321	277	-	277
Senior Class	2,507	5,751	7,527	731	-	731
Senior Class Trip Fund	1,913	3,920	5,552	281	-	281
Snoddy Scholarship	-	2,000	2,000	-	-	-
Social Studies	13	-	-	13	(13)	-
Soft Drinks Account	48	851	899	-	-	-
Softball Boosters	167	33	180	20	-	20
Sophomore Class	319	-	203	116	-	116
Stem Academy	455	-	455	-	-	-
Stem/Operations	-	1,256	587	669	(669)	-
Student Council	553	500	1,000	53	-	53
Swimming	101	4,353	3,999	455	-	455
Tennis	10	3,581	3,320	271	-	271
Varsity Cheerleaders	-	26,887	26,273	614	-	614
Volleyball Boosters	1,181	4,291	5,306	166	-	166
Walmart Credit Card	-	4,491	4,491	-	-	-
World Language Club	306	4,603	4,166	743	-	743
Yearbook	4,699	22,492	22,254	4,937	-	4,937
	<u>38,652</u>	<u>377,808</u>	<u>375,060</u>	<u>41,400</u>	<u>(14,673)</u>	<u>26,727</u>
Charitable Gaming	5	-	-	5	-	5
William P Edison Scholarship Fund	1,024	-	449	575	-	575
William P Edison Scholarship CD	5,047	-	-	5,047	-	5,047
William P Edison Scholarship CD 2	2,368	-	-	2,368	-	2,368
	<u>8,444</u>	<u>-</u>	<u>449</u>	<u>7,995</u>	<u>-</u>	<u>7,995</u>
	<u>\$ 47,096</u>	<u>\$ 377,808</u>	<u>\$ 375,509</u>	<u>\$ 49,395</u>	<u>\$ (14,673)</u>	<u>\$ 34,722</u>

BOYD COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Expenditures
<u>U.S. Department of Education</u>				
Passed through State Department of Education:				
Twenty-First Century Community Learning Centers	84.287	3400002-12	\$ 137,500	\$ 93,331
Twenty-First Century Community Learning Centers	84.287	3400002-11	75,000	<u>11,543</u>
				<u>104,874</u>
Title I Grants to Local Educational Agencies	84.010	3100202-13	806,313	606,949 *
Title I Grants to Local Educational Agencies	84.010	3100202-12	814,569	184,685 *
Title I Grants to Local Educational Agencies	84.010	3100202-11	801,589	6,907 *
Title I Grants to Local Educational Agencies	84.010	3100202-12	45,830	15,025 *
				<u>813,566</u>
Title I Program for Neglected and Delinquent Children	84.013	3100102-12	160,734	8
Title I Program for Neglected and Delinquent Children	85.013	3100102-13	179,167	<u>171,693</u>
				<u>171,701</u>
ARRA - School Improvement Grants	84.388	4100302-09	46,647	15,811
Race to the Top	84.413	3960002-11	32,324	14,793
Special Education Cluster (IDEA):				
Special Education Grants to States - IDEA, Part B	84.027	3810002-12	720,824	102,802 *
Special Education Grants to States - IDEA, Part B	84.027	3810002-13	705,551	705,551 *
Special Education Preschool Grants	84.173	3800002-13	40,787	36,631 *
				<u>844,984</u>
Improving Teacher Quality State Grants	84.367	3230002-13	172,172	172,172
Vocational Education Basic Grants to States	84.048	4621032-12	36,842	<u>36,800</u>
Total pass-through State Department of Education				<u>2,174,701</u>

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

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Expenditures
Passed through Morehead State University: Appalachian Regional Development	23.001	6883	4,312	2,124
				<u>2,124</u>
Total U.S. Department of Education				<u>2,176,825</u>
<u>U.S. Department of Health and Human Services</u>				
Direct Program:				
Head Start	93.600	6554	1,364,563	1,255,935 *
Total U.S. Department of Health and Human Services				<u>1,255,935</u>
<u>U.S. Department of Defense</u>				
Direct Program:				
Basic, Applied, and Advanced Research in Science and Engineering	12.630	ROTC	-	20,019
Total U.S. Department of Defense		(General Fund)		<u>20,019</u>
<u>U.S. Department of Agriculture</u>				
Pass-through - State Department of Education:				
Cash Assistance:				
Child and Adult Care Food Program	10.558	7790021-14	-	17,757
State Administrative Expenses for Child Nutrition	10.560	7850012-12	-	1,000
Child Nutrition Cluster:				
National School Lunch Program	10.555	7750002-14	-	722,106 *
Summer Food Service Program for Children	10.559	7690024-13	-	860 *
Summer Food Service Program for Children	10.559	7740023-13	-	8,340 *
School Breakfast Program	10.553	7760005-14	-	242,666 *
Cash Assistance Subtotal				<u>973,972</u>
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	10.555	013-0100	-	79,802 *
Total Child Nutrition Cluster				<u>1,053,774</u>
Total U.S. Department of Agriculture				<u>1,072,531</u>
Total Federal Assistance				<u>\$ 4,525,310</u>

* Denotes a major program.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Boyd County School District under the programs of the federal government for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Government, and Non-Profit Organizations. Because the schedule presents only a selected portion of operations of the Boyd 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 B - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2014, the organization had total inventory of \$60,623.



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Auditor Responsibilities* and *State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Boyd County School District (the "District") as of and for the year ended June 30, 2014, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 17, 2014.

Internal Control Over Financial Reporting

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

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

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

any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the District in a separate letter dated October 17, 2014.

Purpose of this Report

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

Kelley Galloway Smith Goolsby, PSC
October 17, 2014



Kelley **G**alloway
Smith **G**oolsby, PSC

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

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

Report on Compliance for Each Major Federal Program

We have audited Boyd 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 the District's major federal programs for the year ended June 30, 2014. Boyd 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 Boyd 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Auditor Responsibilities* and *State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Boyd 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 Boyd County School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Boyd 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 the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Boyd 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.

Purpose of this Report

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

Kelley Hallaway Smith Goolsby, PSC

October 17, 2014

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

(A) SUMMARY OF AUDIT RESULTS

Type of Auditor's report issued: Unmodified

Internal Control over financial reporting:

Material weakness(es) identified? _____ yes x no

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

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

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes x no

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

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

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

The District had the following major programs with CFDA numbers in parentheses for the year ended June 30, 2013:

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

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

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

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

None noted in the current year.

(C) FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

There were no findings in the current year.

BOYD COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

There were no findings in the prior year.

**BOYD COUNTY SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2014**

No corrective action plan needed in the current year.



Kelley **G**alloway
Smith **G**oolsby, PSC

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

In planning and performing our audit of the financial statements of Boyd County School District (the "District") as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding these matters. This letter does not affect our report dated October 17, 2014, on the financial statements of the District.

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

Kelley Galloway Smith Goolsby, PSC

October 17, 2014

BOYD COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS
FOR THE YEAR ENDED JUNE 30, 2014

2014-1 Detailed Credit Card Receipts

Statement of Condition: We noted that original itemized receipts for credit card meal reimbursements are often not acquired from employees or board members.

Criteria for Condition: Proper supporting documentation should be obtained for all disbursements.

Cause of Condition: The District has never had a strict policy requiring itemized receipts to be submitted as part of the support for credit card reimbursements.

Effect of Condition: Unauthorized expenditures could be made if itemized receipts are not provided to substantiate all purchases.

Recommendation of the Condition: We recommend that the District require itemized receipts for all expenditures, including credit card purchases.

Management Response: The credit card in question was obtained for registration and travel expenses of the Superintendent and members of the Board. It is not used by school district employees.

A recommendation will be made to the Board to amend its policy regarding the credit card to require original itemized receipts and signed summary receipts be turned in to the finance department for attachment to monthly statements for payment. If original itemized receipts are lost or otherwise unavailable, it will be the responsibility of the Board member who used the card to reimburse the school district for the expense.

2014-2 Internal Controls – Boyd County Middle School

Statement of Condition: Per inquiry, we noted various internal control deficiencies at Boyd County Middle School. The deficiencies are as follows:

- We noted that the following forms are not utilized by the school: 1) Inventory Control Worksheet, 2) Expense Report, 3) Sales from Concessions/Bookstore/Pencil Machine, and 4) Donation Acceptance form.
- We noted that checks are not mailed the same day that they are written.
- Ticket sales are not always under dual control.

Criteria for Condition: All schools should properly follow the laws and standards required in the Red Book.

Cause of Condition: Oversight and unfamiliarity with Red Book requirements.

Effect of Condition: Decrease in controls at the activity fund level.

Recommendation of the Condition: We recommend that more care is taken to ensure that Red Book procedures are properly followed; furthermore we recommend proper training be provided, as needed.

Management Response: The principal and bookkeeper of the school attended training on July 31, 2013 following the issuance of the revised “Redbook” on July 1, 2013.

Additional one-on-one training will be provided to administrators and bookkeepers at Boyd County Middle School. Any questions they have concerning proper procedures will be addressed.

2014-3 Summit Elementary Disbursements

Statement of Condition: We noted there was no receipt to support the purchase by check #7672 to Little Caesar's Pizza in the amount of \$100.

Criteria for Condition: Supporting documentation should be acquired and maintained for all disbursements.

Cause of Condition: Oversight.

Effect of Condition: Proper documentation could not be located to support the disbursement.

Recommendation of the Condition: We recommend that more care be taken to ensure that proper documentation is maintained for support all disbursements.

Management Response: The principal and bookkeeper of the school attended training on July 31, 2013 following the issuance of the revised "Redbook" on July 1, 2013.

Additional one-on-one training will be provided to administrators and bookkeepers at Summit Elementary School. Any questions they have concerning proper procedures will be addressed.

2014-4 Segregation of Duties - Receipts

Statement of Condition: We noted that at times the Finance Director enters the receipts into the pre-numbered receipt book, prepares the bank deposit, takes the deposit to the bank, enters the revenue into MUNIS, and reconciles the bank statement creating no segregation of duties over the receipts process.

Criteria for Condition: Proper segregation of duties should be present in all major transaction cycles.

Cause of Condition: This only occurs when employees are absent from the finance department resulting in them being shorthanded and the Finance Director having to perform all of the steps within the transaction cycle. These are not the everyday controls of the District.

Effect of Condition: Decreased controls over the receipts transaction cycle.

Recommendation of the Condition: We recommend that the receipt duties be properly distributed to prevent breakdowns in the segregation of duties; furthermore, we recommend that backups be trained so that someone can fill in when another employee is out.

Management Response: The finance department adopted a three person method of handling receipts that was recommended by our auditors. At this time, one person opens mail and receives in-person payments. A second person confirms the payments and creates a written receipt. A third person creates a bank deposit form while confirming the receipt amounts. The second person then takes the deposit to the bank. If one of these individuals is absent, a third person in the office will be recruited to fill in temporarily. We routinely make copies of all deposit items (cash, checks, and money orders) and attach the copies to any documents provided as backup materials when revenue is received. This process provides a more complete record of each item received for deposit.

Mr. R. Brock Walter, Superintendent, is the person responsible for initiation of the corrective action plan for the above conditions which will be implemented immediately. The corrective action plan is the management response for each condition.

Follow-up on Prior Year Recommendations

The prior year conditions have been implemented and corrected.