

**BOYLE COUNTY SCHOOL DISTRICT  
AUDIT REPORT  
YEAR ENDED JUNE 30, 2014**

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October 3, 2014

**INDEPENDENT AUDITOR'S REPORT**

Members of the Board of Education  
Boyle County School District  
352 North Danville By-Pass  
Danville, KY 40422

**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 Boyle County School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Boyle County School District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, *Appendix I to the Independent Auditor's Contract – General Audit Requirements*, *Appendix II to the Independent Auditor's Contract – State Audit Requirements*, *Appendix III to the Independent Auditor's Contract – Audit Extension Request*, and *Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Boyle County School District as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principle**

As described in Note A to the financial statements, in 2014, the Boyle County School District adopted new accounting guidance, *GASB Statement No. 65, Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on Pages 4 through 9 and 38 and 39 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 Boyle County School District's basic financial statements. The combining and individual nonmajor fund financial statements, and the statement of receipts, disbursements and fund balance – High School Activity Fund are presented for the purpose of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the statement of receipts, disbursements and fund balance – High School Activity Fund, 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, statement of receipts, disbursements and fund balance – High School Activity Fund and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements taken as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated October 3, 2014, on our consideration of Boyle 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 reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Boyle County School District's internal control over financial reporting and compliance.

Sincerely,

*White and Company, P.S.C.*

Certified Public Accountants

**BOYLE COUNTY SCHOOL DISTRICT**  
**Management's Discussion and Analysis (MD&A)**  
**Year Ended June 30, 2014**

As management of the Boyle 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 beginning general fund balance for the District was \$4,236,838. The June 30, 2014 general fund balance for the District was \$4,450,286.
- The General Fund had \$20,426,791 in revenue, which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes. There were \$19,605,813 in General Fund expenditures. The General Fund balance increased by \$213,448.
- Total taxes collected were \$7,764,772 including property, vehicles and utility taxes. The levied equivalent of \$.05 cents was allocated to the building funds resulting in revenues of \$556,797. These funds are used for retirement of debt service on facilities and/or capital construction projects as set forth by the long range district facility plan.

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

**District-wide financial statements.** The District-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The statement of net position presents information on all of the District's position and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the district is improving or deteriorating. The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. The district-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed position and related debt are also supported by taxes and intergovernmental revenues. The district-wide financial statements can be found on pages 10-11 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 funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary fund is our 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 12-20 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 21-37 of this report.

## DISTRICT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a District's financial position. In the case of the District, assets exceeded liabilities by \$7,823,160 as of June 30, 2014.

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

### Net Position for the period ending June 30, 2014 and June 30, 2013

A comparison of June 30, 2014 and June 30, 2013 government wide net position is as follows:

	Governmental		Business - Type		Total	
	Activities		Activities		Primary Government	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current and Other Assets	\$ 5,561,501	\$ 7,376,399	\$ 437,482	\$ 397,052	\$ 5,998,983	\$ 7,773,451
Capital Assets	23,646,152	22,458,696	169,617	201,009	23,815,769	22,659,705
<b>Total Assets</b>	<u>29,207,653</u>	<u>29,835,095</u>	<u>607,099</u>	<u>598,061</u>	<u>29,814,752</u>	<u>30,433,156</u>
Deferred Outflows from Advanced						
Bond Refundings	429,135	-	-	-	429,135	-
Current Liabilities	2,129,109	2,190,455	1,567		2,130,676	2,190,455
Non-Current Liabilities	19,684,519	21,145,691	-	-	19,684,519	21,145,691
<b>Total Liabilities</b>	<u>21,813,628</u>	<u>23,336,146</u>	<u>1,567</u>		<u>21,815,195</u>	<u>23,336,146</u>
<b>Net Position</b>						
Net Investment in Capital Assets	3,707,745	1,280,766	169,617	201,009	3,877,362	1,481,775
Restricted	283,190	1,955,938	435,915	397,052	719,105	2,352,990
Unrestricted	3,832,225	3,262,245	-	-	3,832,225	3,262,245
<b>Total Net Position</b>	<u>\$ 7,823,160</u>	<u>\$ 6,498,949</u>	<u>\$ 605,532</u>	<u>\$ 598,061</u>	<u>8,428,692</u>	<u>\$ 7,097,010</u>

The following are significant current year transactions that have had an impact on the Statement of Net Position.

- 1) Total assets increased due to investment in capital assets. The increase is the result of the completion of the middle school renovation during fiscal year 2014.
- 2) Total liabilities decreased due to payment of bond issues during the year ended June 30, 2014.

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

	Governmental		Business - Type		Total	
	Activities		Activities		Primary Government	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>REVENUES</b>						
Program revenues						
Charges for services	\$ 112,370	\$ 99,325	\$ 484,695	\$ 523,364	\$ 597,065	\$ 622,689
Operating grants and contributions	2,479,021	2,642,609	1,054,312	966,788	3,533,333	3,609,397
Capital grants	80,738	578,902			80,738	578,902
General revenues						
Property taxes	6,205,596	6,307,785			6,205,596	6,307,785
Motor vehicle taxes	580,641	551,245			580,641	551,245
Utility Taxes	971,282	946,557			971,282	946,557
Other taxes	7,253	22,389			7,253	22,389
Investment earnings	33,298	36,224	2,362	2,160	35,660	38,384
State and formula grants	14,214,562	13,729,305			14,214,562	13,729,305
Miscellaneous	329,812	72,595	3,595	5,000	333,407	77,595
<b>Total revenues</b>	<u>25,014,573</u>	<u>24,986,936</u>	<u>1,544,964</u>	<u>1,497,312</u>	<u>26,559,537</u>	<u>26,484,248</u>
<b>EXPENSES</b>						
Program Activities						
Instructional	12,958,309	13,753,171			12,958,309	13,753,171
Student support	1,259,926	1,289,414			1,259,926	1,289,414
Instructional staff Support	1,993,790	2,007,852			1,993,790	2,007,852
District administrative support	808,607	795,418			808,607	795,418
School administrative support	986,575	950,960			986,575	950,960
Business support	840,250	1,387,788			840,250	1,387,788
Plant operations and maintenance	1,327,120	1,256,576			1,327,120	1,256,576
Student transportation	1,513,631	1,542,824			1,513,631	1,542,824
Community service activities	1,520,271	941,079			1,520,271	941,079
Other	77,248	35,485			77,248	35,485
Interest costs	676,280	1,041,464			676,280	1,041,464
Business-type Activities						
Food service			1,517,639	1,540,708	1,517,639	1,540,708
Adult education			19,854	42,398	19,854	42,398
<b>Total expenses</b>	<u>23,962,007</u>	<u>25,002,031</u>	<u>1,537,493</u>	<u>1,583,106</u>	<u>25,499,500</u>	<u>26,585,137</u>
<b>Increase (decrease) in net position</b>	<u>\$ 1,052,566</u>	<u>\$ (15,095)</u>	<u>\$ 7,471</u>	<u>\$ (85,794)</u>	<u>\$ 1,060,037</u>	<u>\$ (100,889)</u>

On-behalf amounts totaling \$4,546,282 for 2014 and \$4,429,652 for 2013 are included in the above figures. On-behalf payments as defined by KDE are payments the state makes on behalf of employees to the various agencies for health and life insurance, benefits and administration fees.

## Governmental Activities

For the governmental program expenses instructional expenses comprise 54% of total expenses, support services equate to 43%, and interest and other expenses make up the remaining 3% of the total.

The cost of program services and the charges for services and grants offsetting those services are shown on the Statement of Activities. The Statement of activities identifies the net cost of services supported by tax revenue and unrestricted intergovernmental revenues (State entitlements).

	Governmental Activities Total		Governmental Activities Net	
	Cost of Services		Cost of Services	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Instructional	\$ 12,958,309	\$ 13,753,171	\$ 11,192,890	\$ 11,720,352
Support Services	8,755,347	9,256,280	8,284,976	8,739,797
Other	1,572,071	951,116	1,313,561	748,447
Interest Costs	<u>676,280</u>	<u>1,041,464</u>	<u>527,389</u>	<u>1,041,464</u>
Total Expenses	<u>\$ 23,962,007</u>	<u>\$ 25,002,031</u>	<u>\$ 21,318,816</u>	<u>\$ 22,250,060</u>

## Business-Type Activities

The business type activities at the District are food service and adult education. These programs had total revenues of \$1,544,964 and expenses of \$1,537,493 for fiscal year 2014. These revenues were made up of \$484,695 charges for services, \$1,054,312 federal and state operating grants, \$2,362 earnings on investments, and \$3,595 miscellaneous revenue. These business-type activities receive no support from tax revenues and as such the District will continue to monitor these activities and make the necessary adjustments to the operations of these activities.

## The School District's Funds

The information relative to the School District's Funds starts on page 12. These funds use the modified accrual basis of accounting to account for each funds revenues and expenses. The combined revenue for all governmental funds for 2014 was \$25,013,137 and expenditures were \$26,311,253. The most significant net changes in fund balances were the General Fund with an increase of \$213,448, which is primarily due to an increase in tax revenues.

## General Fund Budgetary Highlights

- The District's general fund revenues for the fiscal year ended June 30, 2014 net of interfund transfers were \$20,426,791.
- The total cost of all general fund programs and services was \$19,605,813.
- The general fund excess revenues over expenses were \$820,978.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of the 2014 fiscal year, the District had \$23,815,769, net of depreciation, invested in a broad range of capital assets, including equipment, buses, buildings, and land. Depreciation expense for the year was \$1,432,163 and net capital additions were \$2,620,153.

	Governmental		Business - Type		Total Primary Government	
	Activities (Net of Depreciation)		Activities (Net of Depreciation)		(Net of Depreciation)	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 169,950	\$ 169,950	\$ -	\$ -	\$ 169,950	\$ 169,950
Construction in Progress	382,665	2,207,642			382,665	1,712,865
Land Improvements	1,342,222	1,389,717	-	-	1,342,222	1,389,717
Buildings and Improvements	20,920,912	17,864,070	-	-	20,920,912	17,864,070
Technology	138,224	207,579	7,817	11,697	146,041	219,276
Vehicles	557,327	523,603	-	-	557,327	523,603
General Equipment	134,852	96,135	161,800	189,312	296,652	285,447
<b>Total</b>	<b>\$ 23,646,152</b>	<b>\$ 22,458,696</b>	<b>\$ 169,617</b>	<b>\$ 201,009</b>	<b>\$ 23,815,769</b>	<b>\$ 22,659,705</b>

  

	Governmental		Business - Type		Total	
	Activities		Activities		Primary Government	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Beginning Balance	\$ 22,458,696	\$ 21,431,833	\$ 201,009	\$ 240,077	\$ 22,659,705	\$ 21,671,910
Additions	2,620,153	2,479,543	-	-	2,620,153	2,479,543
Retirements	(534)	(240)	-	-	(534)	(240)
Depreciation	<u>(1,432,163)</u>	<u>(1,452,440)</u>	<u>(31,392)</u>	<u>(39,068)</u>	<u>(1,463,555)</u>	<u>(1,491,508)</u>
Ending Balance	<u>\$ 23,646,152</u>	<u>\$ 22,458,696</u>	<u>\$ 169,617</u>	<u>\$ 201,009</u>	<u>\$ 23,815,769</u>	<u>\$ 22,659,705</u>

### Long Term Debt

The District had \$19,783,335 in bonds outstanding at year-end. Bond debt was decreased by \$1,164,665. This was a result of bond payments in FY 2014.

### Future Budgetary Implications

In Kentucky, the public schools fiscal year is July 1 – June 30; other programs, i.e. some federal programs operate on a different fiscal calendar, but are reflected in the District overall budget. By law, the budget must have a minimum 2% contingency. The District has adopted a budget for 2014-2015 with an approximate 8% contingency (\$2,753,615).

The Kentucky Department of Education and General Assembly continue to mandate unfunded expenditures but has restored state revenues to school districts. The District continues to monitor staffing and operational expenditures to maintain a balanced budget.

For the 2014/2015 school year the district has the following plans for building improvements: Roof construction at Perryville Elementary, Junction City Elementary and Boyle County Middle School.

The District currently anticipates utilizing bonding to fund the roof renovation project. The approximate cost of the project is between 1.4 and 1.8 million dollars. The bonding potential is strictly related to funds available in Capital Outlay and Building funds and in no way minimizes funds that are designated for direct instructional services.

Boyle County School District has a remaining \$50,846 balance for the Woodlawn Access Road. The expenditure is included in the working budget.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers and other interested readers with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact the District's Superintendent or Finance Director.

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

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>ASSETS:</b>			
Cash & Cash Equivalents - Note C	4,902,718	355,455	5,258,173
Prepaid Expense	171,949		171,949
Accounts Receivable:			
Taxes - Current	130,826		130,826
Taxes - Delinquent	13,317		13,317
Accounts	106,316		106,316
Intergovernmental - State	14,189		14,189
Intergovernmental - Federal	222,186	37,868	260,054
Inventories for Consumption		44,159	44,159
<b>Total Current Assets</b>	<b>5,561,501</b>	<b>437,482</b>	<b>5,998,983</b>
<b>Noncurrent Assets - Note G</b>			
Land	169,950		169,950
Construction In Progress	382,664		382,664
Buildings & Improvements	40,952,715		40,952,715
Furniture & Equipment	6,694,432	884,862	7,579,294
Less: Accumulated Depreciation	(24,553,609)	(715,245)	(25,268,854)
<b>Total Noncurrent Assets</b>	<b>23,646,152</b>	<b>169,617</b>	<b>23,815,769</b>
<b>TOTAL ASSETS</b>	<b>29,207,653</b>	<b>607,099</b>	<b>29,814,752</b>
Deferred Outflows from Advanced Bond Refundings	429,135		429,135
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<b>29,636,788</b>	<b>607,099</b>	<b>30,243,887</b>
<b>LIABILITIES:</b>			
<b>Current Liabilities:</b>			
Accounts Payable	380,460	1,567	382,027
Accrued Salaries & Sick Leave - Note A	267,122		267,122
Advances from Grantors	69,089		69,089
KISBIT Assessment - Note S	58,053		58,053
Bond Obligations - Note E	1,179,665		1,179,665
Capital Lease Obligation - Note F	61,313		61,313
Accrued Interest Payable	113,407		113,407
<b>Total Current Liabilities</b>	<b>2,129,109</b>	<b>1,567</b>	<b>2,130,676</b>
<b>Noncurrent Liabilities:</b>			
KSBIT Assessment - Note S	172,351		172,351
Bond Obligations - Note E	18,603,670		18,603,670
Capital Lease Obligation - Note F	93,759		93,759
Accrued Sick Leave - Note A	814,739		814,739
<b>Total Noncurrent Liabilities</b>	<b>19,684,519</b>		<b>19,684,519</b>
<b>TOTAL LIABILITIES</b>	<b>21,813,628</b>	<b>1,567</b>	<b>21,815,195</b>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	3,707,745	169,617	3,877,362
Restricted for:			
Capital Projects	280,646		280,646
Debt Service	2,544		2,544
Other Purposes		435,915	435,915
Unrestricted	3,832,225		3,832,225
<b>TOTAL NET POSITION</b>	<b>7,823,160</b>	<b>605,532</b>	<b>8,428,692</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>29,636,788</b>	<b>607,099</b>	<b>30,243,887</b>

See independent auditor's report and accompanying notes to financial statements.

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

FUNCTION/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
<b>GOVERNMENTAL ACTIVITIES:</b>							
Instructional	12,958,309	84,438	1,680,981		(11,192,890)		(11,192,890)
Support Services:							
Student Support Services	1,259,926		33,150		(1,226,776)		(1,226,776)
Staff Support Services	1,993,790		383,834		(1,609,956)		(1,609,956)
District Administration	808,607				(808,607)		(808,607)
School Administration	986,575				(986,575)		(986,575)
Business Support Services	840,250				(840,250)		(840,250)
Plant Operation & Maintenance	1,327,120				(1,327,120)		(1,327,120)
Student Transportation	1,513,631	27,932	25,455		(1,460,244)		(1,460,244)
Central Office	25,448				(25,448)		(25,448)
Community Service Operations	1,520,271		206,710		(1,313,561)		(1,313,561)
Facilities Acquisition & Construction				80,738	80,738		80,738
Interest on Long-Term Debt	676,280		148,891		(527,389)		(527,389)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>23,910,207</b>	<b>112,370</b>	<b>2,479,021</b>	<b>80,738</b>	<b>(21,238,078)</b>		<b>(21,238,078)</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>							
Food Service	1,517,639	471,971	1,047,219			1,551	1,551
Adult Education	19,854	12,724	7,093			(37)	(37)
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>1,537,493</b>	<b>484,695</b>	<b>1,054,312</b>	<b>0</b>	<b>0</b>	<b>1,514</b>	<b>1,514</b>
<b>TOTAL SCHOOL DISTRICT</b>	<b>25,447,700</b>	<b>597,065</b>	<b>3,533,333</b>	<b>80,738</b>	<b>(21,238,078)</b>	<b>1,514</b>	<b>(21,236,564)</b>
<b>GENERAL REVENUES:</b>							
<b>Taxes:</b>							
Property					6,205,596		
Motor Vehicle					580,641		
Utility					971,282		
Other					7,253		
State Aid - Formula Grants					14,214,562		14,214,562
Investment Earnings					33,298	2,362	35,660
Miscellaneous					328,376	3,595	331,971
<b>SPECIAL ITEMS:</b>							
Transfer to Fiduciary Fund					(51,800)		(51,800)
Gain(Loss) Sale of Assets					1,436		1,436
<b>TOTAL GENERAL &amp; SPECIAL</b>					<b>22,290,644</b>	<b>5,957</b>	<b>22,296,601</b>
<b>CHANGE IN NET POSITION</b>					<b>1,052,566</b>	<b>7,471</b>	<b>1,060,037</b>
<b>NET POSITION - BEGINNING OF YEAR, AS RESTATED - NOTE T</b>					<b>6,770,594</b>	<b>598,061</b>	<b>7,368,655</b>
<b>NET POSITION - ENDING</b>					<b>7,823,160</b>	<b>605,532</b>	<b>8,428,692</b>

See independent auditor's report and accompanying notes to financial statements.

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

	GENERAL FUND	SPECIAL REVENUE	CONSTRUCTION FUND	DEBT SERVICE	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS:</b>						
Cash & Cash Equivalents	4,400,374	(164,556)	380,454	2,544	283,902	4,902,718
Prepaid Expense	171,949					171,949
Accounts Receivable:						
Taxes - Current	130,826					130,826
Taxes - Delinquent	13,317					13,317
Accounts	25,578		80,738			106,316
Intergovernmental - State		14,189				14,189
Intergovernmental - Federal		222,186				222,186
<b>TOTAL ASSETS</b>	<u>4,742,044</u>	<u>71,819</u>	<u>461,192</u>	<u>2,544</u>	<u>283,902</u>	<u>5,561,501</u>
<b>LIABILITIES AND FUND BALANCE:</b>						
Liabilities:						
Accounts Payable	24,636	2,730	353,094			380,460
Accrued Salaries & Sick Leave	267,122					267,122
Advances from Grantors		69,089				69,089
<b>Total Liabilities</b>	<u>291,758</u>	<u>71,819</u>	<u>353,094</u>	<u>0</u>	<u>0</u>	<u>716,671</u>
Fund Balance:						
Non-Spendable	171,949					
Restricted for:						
Capital Projects			108,098		172,548	280,646
Debt Service				2,544		2,544
Other Purposes					111,354	111,354
Committed for:						
Accrued Sick Leave	814,739					814,739
Site-Based Carryforward	74,072					74,072
Assigned:						
Purchase Obligations						0
Unassigned	3,389,526					3,389,526
<b>Total Fund Balance</b>	<u>4,450,286</u>	<u>0</u>	<u>108,098</u>	<u>2,544</u>	<u>283,902</u>	<u>4,844,830</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>4,742,044</u>	<u>71,819</u>	<u>461,192</u>	<u>2,544</u>	<u>283,902</u>	<u>5,561,501</u>

See independent auditor's report and accompanying notes to financial statements.

BOYLE COUNTY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2014

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

TOTAL GOVERNMENTAL FUND BALANCE		4,844,830
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.</p>		
Cost of Capital Assets	48,199,761	
Accumulated Depreciation	<u>(24,553,609)</u>	23,646,152
Bond Issuance Costs		
<p>Deferred Outflows on Bond Refundings are not a current asset and therefore are not reported as assets in governmental funds.</p>		
		429,135
<p>Long-term liabilities (including bonds payable) are not due and payable in the current period and therefore are not reported as liabilities in the funds.</p>		
<p>Long-term liabilities at year end consist of:</p>		
Bonds Payable	(19,783,335)	
Capital Lease Obligation	(155,072)	
Accrued Interest on Bonds	(113,407)	
KISBIT Assessment	(230,404)	
Accrued Sick Leave	<u>(814,739)</u>	<u>(21,096,957)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		<u><u>7,823,160</u></u>

See independent auditor's report and accompanying notes to financial statements.

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

	GENERAL	SPECIAL REVENUE	CONSTRUCTION FUND	DEBT SERVICE	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES:</b>						
Taxes:						
Property	5,648,799				556,797	6,205,596
Motor Vehicle	580,641					580,641
Utility	971,282					971,282
Other	7,253					7,253
Earnings on Investments	29,304	160	1,530		2,304	33,298
Intergovernmental - State	13,153,886	1,104,841	80,738	621,830	551,216	15,512,511
Intergovernmental - Federal	1,782	1,223,507		148,891	0	1,374,180
Other Sources	33,844	68,271	114,907		111,354	328,376
<b>TOTAL REVENUES</b>	<b>20,426,791</b>	<b>2,396,779</b>	<b>197,175</b>	<b>770,721</b>	<b>1,221,671</b>	<b>25,013,137</b>
<b>EXPENDITURES:</b>						
Instructional	10,352,531	1,760,193				12,112,724
Support Services:						
Student Support Services	900,148	34,712				934,860
Staff Support Services	1,586,859	401,921				1,988,780
District Administration	800,869					800,869
School Administration	985,422					985,422
Business Support Services	838,204					838,204
Plant Operation & Maintenance	1,318,984					1,318,984
Student Transportation	1,519,231	26,654				1,545,885
Community Service Operations	1,303,565	216,451				1,520,016
Facilities Acquisition & Construction			2,387,493			2,387,493
Debt Service:						
Principal				1,239,523		1,239,523
Interest				638,493		638,493
<b>TOTAL EXPENDITURES</b>	<b>19,605,813</b>	<b>2,439,931</b>	<b>2,387,493</b>	<b>1,878,016</b>	<b>0</b>	<b>26,311,253</b>
<b>EXCESS(DEFICIT) REVENUES OVER EXPENDITURES</b>	<b>820,978</b>	<b>(43,152)</b>	<b>(2,190,318)</b>	<b>(1,107,295)</b>	<b>1,221,671</b>	<b>(1,298,116)</b>
<b>OTHER FINANCING SOURCES(USES):</b>						
Proceeds from Sale of Assets	1,970					1,970
Operating Transfers In - Note O	6,066	49,218	431,243	1,107,295		1,593,822
Operating Transfers Out - Note O	(615,566)	(6,066)			(1,023,990)	(1,645,622)
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>(607,530)</b>	<b>43,152</b>	<b>431,243</b>	<b>1,107,295</b>	<b>(1,023,990)</b>	<b>(49,830)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>213,448</b>	<b>0</b>	<b>(1,759,075)</b>	<b>0</b>	<b>197,681</b>	<b>(1,347,946)</b>
<b>FUND BALANCES - BEGINNING</b>	<b>4,236,838</b>	<b>0</b>	<b>1,867,173</b>	<b>2,544</b>	<b>86,221</b>	<b>6,192,776</b>
<b>FUND BALANCES - ENDING</b>	<b>4,450,286</b>	<b>0</b>	<b>108,098</b>	<b>2,544</b>	<b>283,902</b>	<b>4,844,830</b>

See independent auditor's report and accompanying notes to financial statements.

BOYLE 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

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

NET CHANGES - GOVERNMENTAL FUNDS		(1,347,946)
<p>Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital exceeds depreciation expense for the year.</p>		
Depreciation Expense	(1,432,163)	
Capital Outlays	<u>2,620,152</u>	1,187,989
<p>Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.</p>		
Principal Paid		1,239,523
<p>Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.</p>		
Amortization-Deferred Outflows on Bond Refundings	(45,009)	
Accrued Interest Payable	7,221	
Accrued Sick Leave	<u>11,323</u>	(26,465)
<p>In the statement of activities the net gain on the sale/disposal of assets is reported in whereas in the governmental funds the proceeds from the sale increases financial resources. Thus the change in net position differs from change in fund balances by the cost of the asset sold.</p>		
Loss on Sale of Assets		<u>(535)</u>
CHANGES - NET POSITION GOVERNMENTAL FUNDS		<u><u>1,052,566</u></u>

See independent auditor's report and accompanying notes to financial statements.

BOYLE COUNTY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2014

	ENTERPRISE FUNDS		
	FOOD SERVICE	ADULT EDUCATION	TOTAL
<b>ASSETS:</b>			
Current Assets:			
Cash & Cash Equivalents	355,455		355,455
Accounts Receivable	37,868		37,868
Inventories for Consumption	44,159		44,159
Total Current Assets	437,482	0	437,482
Noncurrent Assets:			
Furniture & Equipment	882,714	2,148	884,862
Less: Accumulated Depreciation	(713,097)	(2,148)	(715,245)
Total Noncurrent Assets	169,617	0	169,617
<b>TOTAL ASSETS</b>	<b>607,099</b>	<b>0</b>	<b>607,099</b>
<b>LIABILITIES:</b>			
Current Liabilities:			
Account Payable	1,567		1,567
Total Current Liabilities	1,567	0	1,567
Net Position:			
Net Investment in Capital Assets	169,617	0	169,617
Restricted	435,915		435,915
Total Net Position	605,532	0	605,532
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>607,099</b>	<b>0</b>	<b>607,099</b>

See independent auditor's report and accompanying notes to financial statements.

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

	ENTERPRISE FUNDS		
	FOOD SERVICE	ADULT EDUCATION	TOTAL
OPERATING REVENUES:			
Lunchroom Sales	471,971		471,971
Other Operating Revenues	3,595	12,724	16,319
TOTAL OPERATING REVENUES	475,566	12,724	488,290
OPERATING EXPENSES:			
Salaries & Benefits	750,644	19,727	770,371
Contract Services	46,978	90	47,068
Materials & Supplies	686,850		686,850
Depreciation - Note G	31,355	37	31,392
Other Operating Expenses	1,812		1,812
TOTAL OPERATING EXPENSES	1,517,639	19,854	1,537,493
OPERATING INCOME(LOSS)	(1,042,073)	(7,130)	(1,049,203)
NONOPERATING REVENUES(EXPENSES):			
Federal Grants	771,687		771,687
State Grants	197,939	7,093	205,032
Donated Commodities	77,593		77,593
Interest Income	2,362		2,362
TOTAL NONOPERATING REVENUE	1,049,581	7,093	1,056,674
INCOME(LOSS) BEFORE CAPITAL CONTRIBUTIONS	7,508	(37)	7,471
CAPITAL CONTRIBUTIONS	0	0	0
CHANGE IN NET POSITION	7,508	(37)	7,471
TOTAL NET POSITION - BEGINNING	598,024	37	598,061
TOTAL NET POSITION - ENDING	605,532	0	605,532

See independent auditor's report and accompanying notes to financial statements.

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

	<u>FOOD SERVICE</u>	<u>ADULT EDUCATION</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash Received from:		
Lunchroom Sales	471,971	
Other Activities	3,595	12,724
Cash Paid to/for:		
Employees	(566,219)	(19,727)
Supplies	(607,952)	
Other Activities	(48,790)	(90)
	(747,395)	(7,093)
<b>Net Cash Used by Operating Activities</b>		
<b>CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Federal Grants	803,330	
State Grants	13,514	7,093
	816,844	7,093
<b>Net Cash Provided by Non-Capital and Related Financing Activities</b>		
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Purchases of Capital Assets	0	0
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Receipt of Interest Income	2,362	0
	71,811	0
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>		
Balances, Beginning of Year	283,644	0
	355,455	0
	355,455	0
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:</b>		
Operating Income (Loss)	(1,042,073)	(7,130)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities		
Depreciation	31,355	37
State On-Behalf Payments	184,425	
Donated Commodities	77,593	
Change in Assets and Liabilities:		
Inventory	(262)	
Accounts Payable	1,567	
	(747,395)	(7,093)
<b>Net Cash Used by Operating Activities</b>		
Schedule of Non-Cash Transactions:		
Donated Commodities	77,593	0
State On-Behalf Payments	184,425	0

See independent auditor's report and accompanying notes to financial statements.

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

	<u>PRIVATE PURPOSE TRUST FUNDS</u>	<u>AGENCY FUND</u>
<b>ASSETS:</b>		
Cash and Cash Equivalents	25,301	438,812
Accounts Receivable	94	1,873
Investment Income Receivable		
Loans Receivable		
Investments - Note D		
<b>TOTAL ASSETS</b>	<u>25,395</u>	<u>440,685</u>
<b>LIABILITIES:</b>		
Accounts Payable		116
Due to Other		89,002
Due to Student Groups		351,567
<b>TOTAL LIABILITIES</b>	<u>0</u>	<u>440,685</u>
<b>NET POSITION HELD IN TRUST</b>	<u>25,395</u>	<u>0</u>

See independent auditor's report and accompanying notes to financial statements.

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

	<u>PRIVATE PURPOSE TRUST FUNDS</u>
ADDITIONS:	
Contributions and Donations	16,465
DEDUCTIONS:	
Benefits Paid	<u>8,963</u>
Changes in Net Position	7,502
NET POSITION - BEGINNING OF YEAR	<u>17,893</u>
NET POSITION - END OF YEAR	<u><u>25,395</u></u>

See independent auditor's report and accompanying notes to financial statements.

BOYLE COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity

The Boyle 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 Boyle County Board of Education (“District”). The District receives funding from local, state, and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision-making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

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

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

Based on the foregoing criteria, the financial statements of the following organizations are included in the accompanying financial statements:

Boyle County Board of Education Finance Corporation – In a prior year, the Board of Education resolved to authorize the establishment of the Boyle 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) (the “Corporation”) as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation’s Board of Directors.

Basis of Presentation

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

The 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 reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

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

The District has the following funds:

### I. Governmental Fund Types

- A. The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- B. The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified on Pages 43 and 44 in the Schedule of Expenditures of Federal Awards and related notes. This is a major fund of the District.
- C. Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary 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.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
  3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.
- D. Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on generally obligation notes payable, as required by Kentucky law.

### II. Proprietary Fund Types (Enterprise Fund)

The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service is a major fund.

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

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

- A. The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. The funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.
- B. The Private Purpose Trust funds are used to report trust arrangements under which principal and income benefit individuals, private organization, or other governments.

### Basis of Accounting

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

Revenues – Exchange and Nonexchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of the fiscal year-end.

Proprietary Fund operating revenues are defined as revenues received from the direct purchases of products and services (i.e. food service). Non-operating revenues are not related to direct purchases of products; for the District, these revenues are typically investment income and state and federal grant revenues.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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 resource are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

Deferred Revenue – 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.

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

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

### Property Taxes

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

The property tax rates assessed for the year ended June 30, 2014, to finance the General Fund operations were \$0.635 per \$100 valuation for real property, \$0.635 per \$100 valuation for business personal property, and \$0.539 per \$100 valuation for motor vehicles.

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

### Capital Assets

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

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

### Interfund Balances

On fund financial statements, receivables and payable 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.

### Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will received 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 amount “accumulated sick leave payable” in the general fund. The noncurrent portion of the liability is reported as a reserve of fund balance.

### Budgetary Process

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

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

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

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. 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.

### Cash and Cash Equivalents

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

### Inventories

On government-wide financial statements, inventories are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

The food service fund uses the specific identification method.

### Investments

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

### Accrued Liabilities and Long-Term Obligations

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

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

### Fund Balance

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the District classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Superintendent.

Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The District committed the following fund balance type by taking the following action:

<u>Fund Balance Type</u>	<u>Amount</u>	<u>Action</u>
General Fund	\$814,739	Long-Term Sick Leave Commitment
General Fund	\$ 74,072	Site-Based Carryforward

The District uses *restricted/committed* amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as grant agreements requiring dollar for dollar spending. Additionally, the District would first use *committed*, then *assigned*, and lastly *unassigned* amounts for unrestricted fund balance when expenditures are made.

The District does not have a formal minimum fund balance policy.

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Special Revenue	State, Local and Federal Grants

Net Position

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

Operating Revenues and Expenses

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

Contributions of Capital

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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.

Change in Accounting Principle

Effective for the fiscal year ending June 30, 2014, the Board adopted GASB Statement 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 1989, FASB and AICPA Pronouncements*, which codifies all applicable GASB, Financial Accounting Standards Board (“FASB”), and Accounting Principles Board opinions dated according to the title of the statement. Additionally, for fiscal year ending June 30, 2014, the Board has implemented GASB Statement 65 *Items Previously Reported as Assets and Liabilities* which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. See Note T for the impact of the adoption of this standard on beginning net position.

**NOTE B – ESTIMATES**

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

**NOTE C – CASH AND CASH EQUIVALENTS**

Custodial Credit Risk - Deposits. Custodial Credit is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District’s policy is to have all deposits secured by pledged securities.

At year-end, the carrying amount of the District’s total cash and cash equivalents was \$5,722,286. Of the total cash balance, \$252,544 was covered by Federal Depository Insurance, \$5,469,742 was covered by collateral agreements and collateral held by the pledging banks’ trust departments in the District’s name. Cash equivalents are funds temporarily invested in securities with maturity of 90 days or less.

Cash and cash equivalents at June 30, 2014, consisted of the following:

	<b>Bank Balance</b>	<b>Book Balance</b>
Bank of New York	2,544	2,544
Farmers National Bank	<u>6,490,727</u>	<u>5,719,742</u>
	<u>6,493,271</u>	<u>5,722,286</u>

Breakdown per financial statements:

Governmental Funds	4,902,718
Proprietary Funds	<u>355,455</u>
Subtotal	5,258,173
Private Purpose Trust Funds	25,301
Agency Funds	<u>438,812</u>
Total Cash and Cash Equivalents All Funds	<u>5,722,286</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**NOTE D – INVESTMENTS**

The District held no investments on June 30, 2014.

**NOTE E – LONG TERM OBLIGATIONS**

The amount shown in the accompanying financial statements as bond obligations represents the District's future obligations to make payments relating to the bonds issued by the Boyle County School District Finance Corporation aggregating \$19,783,335.

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

1994	250,000	3.75% - 6.00%
2004	515,000	3.00% - 5.00%
2005	4,760,000	2.44% - 4.44%
2007	1,490,000	3.60% - 4.00%
2008	1,095,000	2.50% - 3.25%
2010	2,765,000	4.50%
2010 Refunding	5,395,000	1.00% - 3.00%
2011	2,095,000	1.00% - 4.25%
2012	1,320,000	2.83%
2012QZAB	2,823,000	4.08%
2013 Refunding	4,315,000	1.91% - 2.00%

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

The District has "participation agreements" with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local schools districts in meeting school construction needs. The table sets forth the amount to be paid by the Board and the Commission for each year until maturity of all bonds issued. The Kentucky School Construction Commission's participation is limited to the biennial budget period of the Commonwealth of Kentucky with the right reserved by the Kentucky School Construction Commission to terminate the commitment to pay the agreed participation every two years. The obligation of the Kentucky School Construction Commission to make the agreed payments automatically renews each two years for a period of two years unless the Kentucky School Construction Commission gives notice of its intention not to participate not less than sixty days prior to the end of its biennium.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Participation</u>	<u>District's Portion</u>
2014-15	1,179,665	603,782	667,367	1,116,081
2015-16	1,204,665	577,911	660,004	1,122,573
2016-17	1,229,665	550,529	659,801	1,120,394
2017-18	1,234,665	523,069	644,272	1,113,462
2018-19	1,234,665	486,167	598,620	1,122,213
2019-20	1,269,665	463,265	613,736	1,119,194
2020-21	1,794,665	428,120	613,924	1,608,861
2021-22	1,199,665	381,808	473,663	1,107,810
2022-23	1,234,665	352,868	478,945	1,108,588
2023-24	1,264,665	322,738	478,160	1,109,243
2024-25	1,249,665	291,083	421,239	1,119,509
2025-26	549,665	260,533	373,709	436,489
2026-27	824,665	242,670	373,709	693,626
2027-28	769,665	215,308	294,641	690,332
2028-29	829,665	188,908	294,641	723,932
2029-30	859,665	161,108	294,640	726,133
2030-31	414,665	131,720	238,629	307,756
2031-32	254,665	120,120	126,578	248,207
2032-33	254,665	115,320	126,578	243,407
2033-34	94,665	112,920	0.00	207,585
2034-35	94,665	112,920	0.00	207,585
2035-36	<u>740,365</u>	<u>112,920</u>	<u>0.00</u>	<u>853,285</u>
	<u>19,783,335</u>	<u>6,755,784</u>	<u>8,432,853</u>	<u>18,106,265</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Long-term liability activity for the year ended June 30, 2014, was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Primary Government</b>					
Governmental Activities:					
Revenue Bonds Payable	20,948,000	0	1,164,665	19,783,335	1,179,665
Capital Lease Obligations	229,930	0	74,858	155,072	61,313
KISBIT Assessment	381,225	0	150,821	230,404	58,053
Accrued Sick Leave	<u>1,036,274</u>	<u>99,514</u>	<u>54,442</u>	<u>1,081,346</u>	<u>266,607</u>
Governmental Activities					
Long-Term Liabilities	<u>22,595,429</u>	<u>99,514</u>	<u>1,444,786</u>	<u>21,250,157</u>	<u>1,565,638</u>

**NOTE F - CAPITAL LEASE PAYABLE**

The District is the lessee of buses and technology equipment under capital leases expiring in various years through 2018. The assets and liabilities under capital leases are recorded at the present value of the minimum lease payments or the fair value of the asset. The assets are amortized over their estimated productive lives. Amortization of assets under capital leases is included in depreciation expense for fiscal year 2014.

The following is a summary of property held under capital leases:

<u>Classes of Property</u>	<u>Book Value as of June 30, 2014</u>
Buses	612,076
Technology Equipment	163,730
Accumulated Amortization	(543,066)
	<u>232,740</u>

The following is a schedule by years of the future principal payments under capital leases as of June 30, 2014:

<u>Year Ending June 30,</u>	<u>Capital Lease Payable</u>
2015	67,096
2016	50,422
2017	32,750
2018	<u>16,489</u>
Net minimum lease payments	166,757
Amount representing interest	<u>(11,685)</u>
Present value of net minimum lease payments	<u>155,072</u>

Interest rates on capitalized leases vary from 1.00% to 3.625%. The capital leases provide for the buses and technology equipment to revert to the District at the end of the respective lease with no further payment for purchase.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**NOTE G - CAPITAL ASSETS**

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

	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>RETIREMENTS</u>	<u>ENDING BALANCE</u>
<b>GOVERNMENTAL ACTIVITIES:</b>				
Non-Depreciable Assets:				
Land	169,950			169,950
Construction In Progress	2,207,642	(1,824,977)		382,665
Depreciable Assets:				
Land Improvements	1,522,505			1,522,505
Buildings & Building Improvements	35,217,739	4,212,471		39,430,210
Technology Equipment	2,399,811		959,239	1,440,572
Vehicles	3,229,833	169,140	133,473	3,265,500
General Equipment	1,941,545	63,519	16,705	1,988,359
<b>TOTAL AT HISTORICAL COST</b>	<u>46,689,025</u>	<u>2,620,153</u>	<u>1,109,417</u>	<u>48,199,761</u>
<b>LESS ACCUMULATED DEPRECIATION FOR:</b>				
Land Improvements	132,788	47,495		180,283
Buildings & Building Improvements	17,353,669	1,155,629		18,509,298
Technology Equipment	2,192,232	69,633	959,517	1,302,348
Vehicles	2,706,230	135,416	133,473	2,708,173
General Equipment	1,845,410	23,990	15,893	1,853,507
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<u>24,230,329</u>	<u>1,432,163</u>	<u>1,108,883</u>	<u>24,553,609</u>
<b>GOVERNMENTAL ACTIVITIES CAPITAL NET</b>	<u>22,458,696</u>	<u>1,187,990</u>	<u>(534)</u>	<u>23,646,152</u>
<b>PROPRIETARY ACTIVITIES:</b>				
Depreciable Assets:				
Technology Equipment	46,759		14,000	32,759
General Equipment	855,403		3,300	852,103
<b>TOTALS AT HISTORICAL COST</b>	<u>902,162</u>	<u>-0-</u>	<u>17,300</u>	<u>884,862</u>
<b>LESS ACCUMULATED DEPRECIATION FOR:</b>				
Technology Equipment	35,062	3,880	14,000	24,942
General Equipment	666,091	27,512	3,300	690,303
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<u>701,153</u>	<u>31,392</u>	<u>17,300</u>	<u>715,245</u>
<b>PROPRIETARY ACTIVITIES CAPITAL NET</b>	<u>201,009</u>	<u>(31,392)</u>	<u>-0-</u>	<u>169,617</u>
<b>DEPRECIATION EXPENSE CHARGED TO GOVERNMENTAL FUNCTIONS AS FOLLOWS:</b>				
Instructional				920,425
Student Support Services				325,066
Staff Support Services				5,010
District Administration				7,738
School Administration				1,153
Business Support Services				2,046
Plant Operation & Maintenance				8,136
Student Transportation				136,886
Central Office				25,448
Community Service Operations				255
<b>TOTAL</b>				<u>1,432,163</u>

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE H – RETIREMENT PLANS

Certified employees are covered under the Teachers' Retirement System of Kentucky ("KTRS"), a cost sharing, multiple employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and public educational agencies in Kentucky.

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601.

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

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System ("CERS"), a cost sharing, multiple-employer, public employers retirement system. Funding for the Plan is provided through payroll withholdings of 5% for employees hired before September 15, 2008, and 6% for employees hired after September 15, 2008, and a Board contribution of 18.89% of the employee's total compensation subject to contribution.

The Board's total payroll for the year was \$14,488,362. The payroll for employees covered under KTRS was \$11,628,199 and for CERS was \$2,860,163.

For the years ended June 30, 2014, 2013 and 2012, the Commonwealth contributed \$1,454,301, \$1,411,835, and \$1,396,917 respectively to KTRS for the benefit of our participating employees. The School District's contributions to KTRS for the year ending June 30, 2014, 2013 and 2012 were \$261,545, \$224,884, and \$122,502 respectively which represent those employees covered by federal programs.

The contribution requirements for CERS for the years ended June 30, 2014, 2013 and 2012, were \$660,652, \$578,488, and \$724,373 respectively, which consisted of \$519,429, \$461,748, and \$573,168 from the Board and \$141,223, \$116,740, and \$151,204 respectively from the employees.

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

	<b>KTRS</b> <b>June 30, 2013</b>	<b>CERS</b> <b>June 30, 2013</b>
Assets available for benefits, at fair value	14,962,758,000	5,637,094,483
Pension benefit obligation	<u>(28,817,232,000)</u>	<u>(9,378,876,114)</u>
(Underfunded)/overfunded pension benefit obligation	<u>(13,854,474,000)</u>	<u>(3,741,781,631)</u>

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

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

The District also offers employees the option to participate in a defined contribution plan under Section 403(B), 401(K), and 457 of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute to the maximum amount allowable by law. The District does not contribute to these plans.

**NOTE I – COMMITMENTS**

Boyle County School District is constructing an access road at Woodlawn Elementary. The District is also renovating the gymnasium floor and roof at Junction City Elementary. Construction for these projects is ongoing as of the audit date. It is anticipated that the completion of these projects will cost an additional \$655,222.

**NOTE J – 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 upon 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.

**NOTE K – INSURANCE AND RELATED ACTIVITIES**

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**NOTE L – RISK MANAGEMENT**

The District is exposed to various risks of loss related to injuries to employees. To obtain insurance of workers’ compensation, errors and omissions, and general liability coverage, the District obtains quotes from commercial insurance companies. Currently the District maintains insurance coverage through Ohio Casualty Insurance Company.

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

During 2013, the Kentucky School Boards Insurance Trust ceased to operate. The District’s insurance coverage continued through June 30, 2014. (See also Note S.) However, as of July 1, 2014, the District was required to obtain insurance coverage from a commercial insurance company. Coverage was obtained from Brickstreet Insurance Company.

**NOTE M – DEFICIT OPERATING BALANCES**

There are no funds of the District that currently have a deficit fund balance. However, the following funds have operations that resulted in a current year deficit of expenditures over revenues resulting in a corresponding reduction of fund balance:

Construction Fund	2,190,318
Debt Service	1,107,295
Special Revenue	43,152

**NOTE N – COBRA**

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

**NOTE O – TRANSFER OF FUNDS**

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Matching	General	Special Revenue	Technology Match	38,331
Operating	General	Special Revenue	Expense Reimbursement	10,887
Operating	Special Revenue	General Fund	Indirect Costs	6,066
Operating	SEEK	Debt Service	Debt Service	240,115
Operating	General Fund	Debt Service	Debt Service	83,305
Operating	General Fund	Construction	Construction	431,243
Operating	FSPK	Debt Service	Debt Service	<u>783,875</u>
		Subtotal Government Funds Transfers		1,593,822
Operating	General	Fiscal Agent Fund	Operations	<u>51,800</u>
		Total Funds Transferred		<u><u>1,645,622</u></u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**NOTE P – INTERFUND RECEIVABLES AND PAYABLES**

There were no interfund balances at June 30, 2014.

**NOTE Q – SUBSEQUENT EVENTS**

Management has reviewed subsequent events through October 3, 2014. There are no material subsequent events to disclose.

**NOTE R – ON-BEHALF PAYMENT**

For the year ended June 30, 2014, \$4,546,282 in on-behalf payments were made by the Commonwealth of Kentucky for the benefit of the District. Payments for life insurance, health insurance, Kentucky teacher retirement matching pension contributions, and administrative fees were paid by the State for the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts. These payments were recorded as follows:

General Fund	\$ 3,732,934
Food Service Fund	184,425
Adult Education	7,093
Debt Service Fund	<u>621,830</u>
Total	<u>\$ 4,546,282</u>

**NOTE S – KSBIT ASSESSMENT**

As of June 30, 2013, Kentucky School Boards Insurance Trust (KSBIT) was disbanded. On January 14, 2013, school districts in Kentucky were notified that if they had been participating members in KSBIT Workers' Compensation Self-Insurance Pool or its Property and Liability Self-Insurance Pool, they would be required to pay an assessment to repay their portion of the losses incurred by KSBIT. The total assessment for all participants is expected to be between \$50 million and \$60 million. As of June 30, 2014, Boyle County School District's assessment is valued at \$230,404. This has been recorded as a long-term liability on the government-wide financial statements. However, the District may be given an additional assessment in the future if KSBIT incurs additional losses as a result of ongoing litigation. The District has elected to pay this assessment according to the following schedule:

<u>Year Ending June 30,</u>	<u>KSBIT Assessment Payable</u>
2015	58,053
2016	35,012
2017	35,012
2018	34,109
2019	34,109
2020	<u>34,109</u>
Total	<u>230,404</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**NOTE T – NET POSITION, AS RESTATED**

Governmental Accounting Standards Board Statement 65 required changes to the beginning balances of the Statement of Net Position. Beginning net position of the governmental activities was decreased \$353,319 to eliminate bond issuance costs, which had been capitalized and amortized on previous statements. Further, beginning net position of the governmental activities increased \$474,143 to capitalize the deferred costs from refunding bonds prior to the fiscal year beginning July 1, 2013.

In addition, beginning net position was restated to correct the Kentucky School Boards Insurance Trust (KSBIT) liability beginning balance. The previous year's balance was recorded based on the best estimate available per KSBIT. The liability decreased by \$150,821; thus, beginning net position increased by \$150,821.

Net Position as of June 30, 2013	\$ 6,498,949
Less: Elimination of bond issuance costs	(353,319)
Add: Deferred outflows from advanced bond refundings	474,143
Add: Decrease in KSBIT assessment	<u>150,821</u>
Beginning Net Position, As Restated	<u>\$ 6,770,594</u>

REQUIRED SUPPLEMENTARY  
INFORMATION

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

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<b>REVENUES:</b>				
Taxes	7,297,884	7,297,884	7,207,975	(89,909)
Earnings on Investments	20,000	20,000	29,304	9,304
State Sources	12,999,491	12,999,491	13,153,886	154,395
Federal Sources	0	0	1,782	1,782
Other Sources	31,000	31,000	41,880	10,880
<b>TOTAL REVENUES</b>	<b>20,348,375</b>	<b>20,348,375</b>	<b>20,434,827</b>	<b>86,452</b>
<b>EXPENDITURES:</b>				
Instructional	10,582,806	10,582,806	10,352,531	230,275
Student Support Services	1,021,306	1,021,306	900,148	121,158
Staff Support Services	1,789,132	1,789,132	1,586,859	202,273
District Administration	931,367	931,367	800,869	130,498
School Administration	1,015,016	1,015,016	985,422	29,594
Business Support Services	799,100	799,100	838,204	(39,104)
Plant Operation & Maintenance	1,336,402	1,336,402	1,318,984	17,418
Student Transportation	1,669,674	1,669,674	1,519,231	150,443
Central Office				0
Community Service Operations	1,305,074	1,305,074	1,303,565	1,509
Facility Acquisition & Construction				0
Other	3,476,715	3,476,715	615,566	2,861,149
<b>TOTAL EXPENDITURES</b>	<b>23,926,592</b>	<b>23,926,592</b>	<b>20,221,379</b>	<b>3,705,213</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(3,578,217)</b>	<b>(3,578,217)</b>	<b>213,448</b>	<b>3,791,665</b>
<b>FUND BALANCES - BEGINNING</b>	<b>3,578,217</b>	<b>3,578,217</b>	<b>4,236,838</b>	<b>0</b>
<b>FUND BALANCES - ENDING</b>	<b>0</b>	<b>0</b>	<b>4,450,286</b>	<b>3,791,665</b>

On-behalf payments totaling \$3,732,934 are not budgeted by the Boyle County School District.

See independent auditor's report and accompanying notes to financial statements.

BOYLE 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

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<b>REVENUES:</b>				
Taxes				
Other Local Sources	0	0	49,378	49,378
State Sources	147,884	147,884	1,104,841	956,957
Federal Sources	25,705	25,705	1,223,507	1,197,802
Other Sources	680	680	68,271	67,591
<b>TOTAL REVENUES</b>	<u>174,269</u>	<u>174,269</u>	<u>2,445,997</u>	<u>2,271,728</u>
<b>EXPENDITURES:</b>				
Instructional	120,795	120,795	1,760,193	(1,639,398)
Student Support Services	(2,779)	(2,779)	34,712	(37,491)
Staff Support Services	59,561	59,561	401,921	(342,360)
District Administration			0	0
School Administration			0	0
Business Support Services			0	0
Plant Operation & Maintenance			0	0
Student Transportation	227	227	26,654	(26,427)
Community Service Operations	(887)	(887)	216,451	(217,338)
Facility Acquisition & Construction			0	0
Other			6,066	(6,066)
<b>TOTAL EXPENDITURES</b>	<u>176,917</u>	<u>176,917</u>	<u>2,445,997</u>	<u>(2,269,080)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(2,648)	(2,648)	0	2,648
<b>FUND BALANCES - BEGINNING</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>FUND BALANCES - ENDING</b>	<u>(2,648)</u>	<u>(2,648)</u>	<u>0</u>	<u>2,648</u>

See accompanying auditor's report and accompanying notes to financial statements.

OTHER SUPPLEMENTARY  
INFORMATION

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

	CAPITAL OUTLAY FUND	BUILDING FUND	SPECIAL REVENUE FUND DISTRICT ACTIVITY FUND	TOTAL NON-MAJOR GOVERNMENT FUNDS
<b>ASSETS:</b>				
Cash & Cash Equivalents	50,482	122,066	111,354	283,902
Accounts Receivable:				
Taxes				
Accounts				
<b>TOTAL ASSETS</b>	<b>50,482</b>	<b>122,066</b>	<b>111,354</b>	<b>172,548</b>
<b>LIABILITIES AND FUND BALANCES:</b>				
Liabilities:				
Accounts Payable				
Accrued Sick Leave				
Deferred Revenues				
<b>Total Liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Restricted for:				
Capital Projects	50,482	122,066		172,548
Debt Service				
Other Purposes			111,354	
Committed for:				
Accrued Sick Leave				
Assigned:				
Purchase Obligations				
Unassigned				
<b>Total Fund Balances</b>	<b>50,482</b>	<b>122,066</b>	<b>111,354</b>	<b>283,902</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>50,482</b>	<b>122,066</b>	<b>111,354</b>	<b>283,902</b>

See independent auditor's report and accompanying notes to financial statements.

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

	CAPITAL OUTLAY FUND	BUILDING FUND	SPECIAL REVENUE FUND DISTRICT ACTIVITY FUND	TOTAL NON-MAJOR GOVERNMENT FUNDS
<b>REVENUES:</b>				
Taxes		556,797		556,797
Earnings from Investments	545	1,759		2,304
Intergovernmental - State	239,570	311,646		551,216
Other Sources			111,354	111,354
<b>TOTAL REVENUES</b>	<u>240,115</u>	<u>870,202</u>	<u>111,354</u>	<u>1,221,671</u>
<b>EXPENDITURES:</b>				
Instructional				0
Student Support Services				0
Staff Support Services				0
District Administration				0
School Administration				0
Business Support Services				0
Plant Operations & Maintenance				0
Student Transportation				0
Central Office				0
Community Service Operations				0
Facilities Acquisition & Construction				0
Debt Service:				0
Principal				0
Interest				0
<b>TOTAL EXPENDITURES</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>EXCESS(DEFICIT) REVENUES OVER EXPENDITURES</b>	240,115	870,202	111,354	1,221,671
<b>OTHER FINANCING SOURCES(USES):</b>				
Proceeds from Sale of Bonds				0
Proceeds from Sale of Assets				0
Operating Transfers In				0
Operating Transfers Out	(240,115)	(783,875)		(1,023,990)
<b>TOTAL OTHER FINANCING SOURCES(USES)</b>	<u>(240,115)</u>	<u>(783,875)</u>	<u>0</u>	<u>(1,023,990)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>0</u>	<u>86,327</u>	<u>111,354</u>	<u>197,681</u>
<b>FUND BALANCES - BEGINNING</b>	<u>50,482</u>	<u>35,739</u>	<u>0</u>	<u>86,221</u>
<b>FUND BALANCES - ENDING</b>	<u><u>50,482</u></u>	<u><u>122,066</u></u>	<u><u>111,354</u></u>	<u><u>283,902</u></u>

See independent auditor's report and accompanying notes to financial statements.

BOYLE COUNTY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES  
 AGENCY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2014

	FUND BALANCE JULY 1, 2013	REVENUES	EXPENDITURES	FUND BALANCE JUNE 30, 2014
Boyle County High School	235,166	492,162	533,412	193,916
Boyle County Middle School	48,026	190,024	201,017	37,033
Junction City Elementary School	19,775	74,159	80,532	13,402
Perryville Elementary School	62,661	74,565	80,823	56,403
Woodlawn Elementary	75,130	142,304	166,621	50,813
Due to Student Groups	440,758	973,214	1,062,405	351,567
Fiscal Agent Fund	37,693	128,039	76,730	89,002
Total Activity Funds	<u>478,451</u>	<u>1,101,253</u>	<u>1,139,135</u>	<u>440,569</u>

See independent accountant's report and accompanying notes to financial statements.

BOYLE COUNTY SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE  
HIGH SCHOOL ACTIVITY FUND  
FOR THE YEAR ENDED JUNE 30, 2014

	CASH BALANCE JULY 1, 2013	RECEIPTS	DISBURSEMENTS	CASH BALANCE JUNE 30, 2014	ACCOUNTS RECEIVABLE JUNE 30, 2014	ACCOUNTS PAYABLE JUNE 30, 2014	FUND BALANCE JUNE 30, 2014
Administrative	1,345	499	707	1,137			1,137
Parking Permits	4,727	3,365	4,612	3,480			3,480
Activity Fees	70,803	54,242	81,944	43,101			43,101
General	5,812	3,802	1,769	7,845			7,845
Vending	5,314	3,222	4,034	4,502			4,502
Guidance Office	6,381	15,271	15,742	5,910			5,910
Project Graduation	421	16,091	15,392	1,120			1,120
Athletics	22,007	131,217	130,522	22,702			22,702
Athletic Trainer	2,130	2,180	1,925	2,385			2,385
Baseball	5	4,374	3,103	1,276			1,276
Boys Basketball	1,009	4,730	4,845	894			894
Girls Basketball	1,979	0	893	1,086			1,086
Cheerleaders	1,872	2,302	3,639	535			535
Dance Team	499	0	499	0			0
Cross Country	316	1,946	1,383	879			879
Football	449	0	449	0			0
Volleyball	170	0	0	170			170
Boys Golf	60	2,786	2,137	709			709
Girls Golf	0	2,460	1,554	906			906
Boys Soccer	32	8,484	4,200	4,316			4,316
Girls Soccer	78	2,402	2,025	455			455
Softball	16	4,622	4,637	1			1
Softball-CAC	0	2,067	1,160	907			907
Swim Team	272	2,542	2,814	0			0
Tennis	35	1,414	1,449	0			0
Track	0	1,745	1,745	0			0
A.D. Discretionary/Dist Tourney	3,717	0	1,117	2,600			2,600
A.R.T.S. Club	400	810	959	251			251
National Honor Society	1,206	630	1,678	158			158
FBLA	217	0	0	217			217
DECA	48	8,854	7,621	1,280			1,280
I.T. Lab	51	60	62	49			49
FCA	769	538	939	368			368
Tech Student	1,468	10,727	11,096	1,099			1,099
FFA	2,871	16,260	19,056	75			75
FCCLA	0	33,072	33,072	0			0
FCCLA Region	5,049	2,797	7,846	0			0
HOSA	(1,446)	4,922	3,476	0			0
Allied Health	108	4,725	4,832	1			1
Drama Club	438	170	239	369			369
Forensics	1,110	2,063	2,165	1,008			1,008
Pep Club	56	1,210	1,237	29			29
Book Club	24	0	11	13			13
Spanish Club	21	151	146	26			26

Change of Heart	136	0	36	100			100
Y Club	599	8,886	8,883	602			602
Rebel Zone	4,351	10,175	7,171	7,354			7,354
FMD Class Project	35	524	301	258			258
Ag. Mech.	861	1,855	2,001	715			715
Art/Inkspot	29	890	593	326			326
Band	44	117	161	0			0
Academic Team	0	300	300	0			0
Horticulture	11,041	16,229	11,759	15,512			15,512
Language Arts	290	45	0	335			335
Library	187	2,303	2,027	463			463
Math	11	109	109	11			11
Music	235	600	696	139			139
Science	0	1,789	1,475	314			314
Environmental Club	0	85	60	25			25
Class of 2017	1,808	0	1,808	0			0
Class of 2016	767	0	0	767			767
Class of 2015	0	9,575	8,976	599			599
Class of 2014	0	16,411	15,257	1,155			1,155
AP Classes	0	332	332	0			0
Mass Media	3,922	8,809	8,990	3,741			3,741
Chess Club	0	130	0	130			130
Gibson's Classroom	1	1,582	1,099	484			484
Textbook Rental	45,716	908	21,540	25,085			25,085
Credit Recovery	17,283	2,460	6,806	12,937			12,937
Wrestling	0	1,146	875	271			271
Drivers ED	108	1,660	1,768	0			0
Aqua Culture	610	578	838	350			350
School Play	2,063	1,380	2,497	946			946
Rebel Textiles	308	16,707	11,386	5,629			5,629
Nutgrass Teach	77	0	0	77			77
Youth Service Center	2,603	9,625	12,228	0			0
Ping Pong	6	0	0	6			6
Quilting Club	85	15	70	30			30
PND Bank	0	6	0	6			6
Web Journalism	0	6	0	6			6
Needlepoint	150	0	0	150			150
Teacher's Fund	0	1,734	503	1,231			1,231
Yoga	0	50	0	50			50
Magic Club	0	225	100	125			125
Gibson Teach	0	500	273	227			227
Boyled to Perfection	0	4,296	4,035	260			260
E Rebel Zone	0	4	0	4			4
European Travel	0	708	708	0			0
FFA	0	30,899	29,661	1,238			1,238
Junior States of America	0	40	40	0			0
International Studies	0	398	0	398			398
Fees	0	54,058	54,058	0			0
Total All Funds	<u>235,166</u>	<u>566,901</u>	<u>608,151</u>	<u>193,916</u>	<u>0</u>	<u>0</u>	<u>193,916</u>
Interfund Transfers	<u>0</u>	<u>(74,739)</u>	<u>(74,739)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u><u>235,166</u></u>	<u><u>492,162</u></u>	<u><u>533,412</u></u>	<u><u>193,916</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>193,916</u></u>

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

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</u>	<u>CFDA NUMBER</u>	<u>MUNIS PROJECT NUMBER</u>	<u>EXPENDITURES</u>
<u>U.S. Department of Education</u>			
Passed-Through Department of Education			
Title I - Grants to Local Educational Agencies	84.010	3104	447,506
Title I - Part D - Neglected and Delinquent Children	84.013	3134	10,480
Title I - Part D - Neglected and Delinquent Children	84.013	3134T	<u>2,360</u>
Title I - Part D Total			12,840
Title II, Part A -Teacher Quality Enhancement Grants	84.367	4013	12,570
Title II, Part A -Teacher Quality Enhancement Grants	84.367	4014	<u>77,105</u>
Title II, Part A Total			89,675
IDEA - Special Education - Grants to State	84.027	3373	22,512
IDEA - Special Education - Grants to State	84.027	3374	549,801
IDEA - Special Education - Preschool Grants	84.173	3434	<u>64,578</u>
Special Education Cluster			636,891
Race to the Top	84.413A	4521	16,061
Perkins	84.048	3483A	1,019
Perkins	84.048	3484	<u>19,515</u>
Perkins Total			20,534
Total U.S. Department of Education			1,223,507
<u>U.S. Department of Agriculture</u>			
National School Lunchroom	10.555	7750002-14	532,093
School Breakfast Program	10.553	7760005-14	163,074
Summer Meal Program	10.559	7690024-13	3,653
Summer Meal Program	10.559	7740023-13	<u>34,997</u>
Child Nutrition Cluster			733,817
Pass-Through State Department of Agriculture			
State Administrative Funds	10.560	7850012-12	1,000
Food Distribution	10.565	057502-11	<u>77,593</u>
Total U.S. Department of Agriculture			812,410
Total Federal Financial Assistance			<u><u>2,035,917</u></u>

\* Tested as major program

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

**NOTE A – BASIS OF PRESENTATION**

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

**NOTE B – FOOD DISTRIBUTION**

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

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

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of audit issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes      X   No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ Yes      X   None Reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes      X   No

**Federal Awards**

Internal control over major programs?

- Material weakness(es) identified? \_\_\_\_\_ Yes      X   No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ Yes      X   None Reported

Type of auditor’s report issued on compliance for major programs (unmodified):

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.555/10.553/10.559	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee?   X   Yes    \_\_\_\_\_ No

**Section II – Financial Statement of Findings**

No matters were reported.

**Section III – Federal Award Findings and Questioned Costs**

No matters were reported.

BOYLE COUNTY SCHOOL DISTRICT  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
JUNE 30, 2014

There were no prior year audit findings.

**WHITE AND COMPANY, P.S.C.**  
**Certified Public Accountants**  
**219 South Proctor Knott Avenue**  
**Lebanon, Kentucky 40033**  
**(270) 692-2102**  
**Fax (270) 692-2101**

Charles M. White, CPA  
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Stephanie A. Abell, CPA

Email [charles.white@whitecpas.com](mailto:charles.white@whitecpas.com)

October 3, 2014

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

Members of the Board of Education  
Boyle County School District  
352 North Danville By-Pass  
Danville, KY 40422

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Audits of States, Local Governments, and Non-Profit Organizations, Appendix I to the Independent Auditor's Contract – General Auditing Requirements, Appendix II of the independent Auditor's Contract – State Audit Requirements Appendix III to the Independent Auditor's Contract – Audit Extension Request, and Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Boyle County School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Boyle County School District's basic financial statements, and have issued our report thereon dated October 3, 2014.

**Internal Control over Financial Reporting**

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

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

We noted certain matters that we reported to management of Boyle County School District in a separate letter dated October 3, 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.

Sincerely,

*White and Company, P.S.C.*

Certified Public Accountants

**WHITE AND COMPANY, P.S.C.**  
**Certified Public Accountants**  
**219 South Proctor Knott Avenue**  
**Lebanon, Kentucky 40033**  
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Charles M. White, CPA  
Joseph A. Montgomery, CPA  
Stephanie A. Abell, CPA

Email charles.white@whitecpas.com

October 3, 2014

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

Members of the Board of Education  
Boyle County School District  
352 North Danville By-Pass  
Danville, KY 40422

**Report on Compliance for Each Major Federal Program**

We have audited the Boyle 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 Boyle County School District's major federal programs for the year ended June 30, 2014. Boyle 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, contract, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Boyle County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations, Appendix I to the Independent Auditor's Contract – General Audit Requirements, Appendix II to the Auditor's Contract – State Audit Requirements Appendix III to the Independent Auditor's Contract – Audit Extension Request, and Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report*. 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 Boyle 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 Boyle County School District's compliance.

### **Opinion on Each Major Federal Program**

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

### **Report on Internal Control Over Compliance**

Management of Boyle 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 Boyle County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Boyle 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 a 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Sincerely,

*White and Company, P.S.C.*

Certified Public Accountants

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October 3, 2014

**MANAGEMENT LETTER**

Members of the Board of Education  
Boyle County School District  
352 North Danville By-Pass  
Danville, KY 40422

In planning and performing our audit of the financial statements of Boyle County School District for the year ended June 30, 2014, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. Our professional standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We feel that the District's financial statements are free of material misstatement. However, we offer the following suggestions that we feel will strengthen your organization's internal control structure.

In addition, we have reviewed recommendations made by the prior auditors in the audit report for the year ended June 30, 2013, and we have reviewed management's responses to those recommendations. Our findings based upon those prior year recommendations are also summarized below.

Prior Year Recommendation:

We noted one instance at Boyle County High School where a disbursement was made without supporting documentation. Purchasing and disbursement procedures required by Redbook state that before being processed, each disbursement shall be documented by a completed purchase order and an original vendor invoice. If a vendor invoice is not available, the disbursement shall be supported by a Standard Invoice, which must be signed by the payee.

Current Year Finding:

All disbursements tested were properly documented.

Prior Year Recommendation:

During the audit, activity funds cash receipts and deposits were reviewed. We noted that at the Boyle County High School funds totaling \$42,477.50 were collected over the course of three days before being taken to the bank for deposit. Receipts and deposit procedures within Redbook state:

*All monies collected shall be deposited on a daily basis except for:*

- a) A deposit shall be made on any day in which at least \$100 is on hand to deposit. In the event that less than \$100 is on hand to deposit, smaller amounts may be held in a secure location until the earlier of when \$100 is collected or the weekly deposit is made as required by paragraph c) of this item. If not deposited the day the money is collected, the treasurer still must write the receipt the day the money is collected.*
- b) Money collected after school business hours for evening events shall be placed in a night depository or night drop at a bank or in the locked school safe and processed for deposit the following business day by the school treasurer.*
- c) At a minimum, deposits shall be made on a weekly basis even if the deposit amount is less than \$100.*

Current Year Finding

All deposits examined were made according to Redbook policies and procedures.

We would like to offer our assistance throughout the year if and when new or unusual situations arise. Our awareness of new developments when they occur would help to ensure that the District is complying with requirements such as those mentioned above.

We will review the status of this comment during our next audit engagement. We have already discussed this comment and suggestion with various District personnel, and we will be pleased to perform any additional study of this matter or to assist you in implementing the recommendation.

Sincerely,

*White and Company, P.S.C.*

Certified Public Accountants

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October 3, 2014

Members of the Board of Education  
Boyle County School District  
214 West Main, P.O. Box 37  
Cloverport, KY 40111

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Boyle County School District for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, Government Auditing Standards and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 15, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Auditing Findings:

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting polices used by Boyle County School District are described in Note A to the financial statements. As described in Notes A and T to the financial statements, the Boyle County School District changed accounting policies related to deferred outflows and deferred inflows of resources by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 65, Items Previously Reported as Assets and Liabilities, in 2014. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the government-wide financial statements. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the sick leave liability is based on current pay rates and those currently eligible for retirement. We evaluated the key factors and assumptions used to develop the sick leave liability in determining that it is reasonable in relation to the financial statements taken as a whole.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management had corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 3, 2014.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Boyle County School District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were not such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Boyle County School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

We applied certain limited procedures to management's discussion and analysis and budgetary comparison information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on the budgetary comparison information on pages 38 and 39, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this information and we do not express an opinion or provide assurance on it.

Restriction on Use

This information is intended solely for the use of Members of the Board of Education and management of Boyle County School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

*White and Company, P.S.C.*

Certified Public Accountants