

BURGIN INDEPENDENT BOARD OF EDUCATION

**Basic Financial Statements,
Supplementary Information,
and Independent Auditor's Reports**

Year Ended June 30, 2014

BURGIN INDEPENDENT BOARD OF EDUCATION

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Year Ended June 30, 2014

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Independent Auditor's Report

Kentucky State Committee for
School District Audits
Burgin Independent Board of Education
Burgin, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Burgin Independent Board of Education, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Board'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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the requirements prescribed by the Kentucky State Committee for School District Audits in the Independent Auditor's Contract. 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 the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Burgin Independent Board of Education as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison on information on pages 4-9 and 41-42 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 Board's basic financial statements. The combining and individual nonmajor fund financial statements, and the financial statements of the activity funds, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

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

Henderson Jesse & Company PLLC

Louisville, Kentucky
November 12, 2014

Burgin Independent Board of Education - Burgin, Kentucky

Management's Discussion and Analysis (MD&A)

For the Year Ended June 30, 2014

This section of the Burgin Independent School District's (District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2014. This reporting model uses both government-wide financial and fund financial statements. Please read it in conjunction with the additional information found within the body of the audit.

Financial Highlights

- The beginning cash balance for FY 2014 for the District was \$875,761. This total includes revenues from all funds. The ending cash balance was \$667,365.
- The district enrollment continued to increase to its largest number of students in over two decades. The district also continues to strive to maintain financial soundness in order to enhance student learning and achievements.
- In June 2014, the district purchased 55 Chromebooks and two computer carts. This purchase will provide for two mobile labs to be used by all students in the school. In addition, 20 N-Computing devices were purchased making our student to computer ratio 3:1. The investment expenditures were paid in full through two private grants from Corning and Walmart, KETS and general funds.
- Other items included in the 2013-14 working budget were the purchase of one new school bus and creating a position for a part time district instructional coach.
- Burgin High School was recognized in U. S. News and World Report as earning a bronze national ranking.
- Burgin Elementary School received a Kentucky Read to Achieve: Reading Diagnostic and Intervention Grant which will provide funds to implement a reading intervention program that addresses the needs of primary students reading at low levels.

Overview of Financial Statements

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

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

The statement of net position presents information on all of the District's assets, deferred outflows, liabilities and deferred inflows, with the difference between the four 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.

Burkin Independent Board of Education - Burkin, Kentucky

Management's Discussion and Analysis (MD&A), continued

For the Year Ended June 30, 2014

Overview of Financial Statements, continued

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

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

The government-wide financial statements can be found on pages 10 and 11 of this report.

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

The basic governmental fund financial statements can be found on pages 12 through 21 of this report.

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22 through 39 of this report.

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a governmental financial position. In the case of the District, assets exceeded liabilities and deferred inflows by \$196,705 for Governmental Activities, and \$92,171 for Business-Type Activities as of June 30, 2014.

Burgin Independent Board of Education - Burgin, Kentucky

Management's Discussion and Analysis (MD&A), continued

For the Year Ended June 30, 2014

Government-wide Financial Analysis, continued

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

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

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Current and other assets	\$ 603,510	\$ 852,235	\$ 85,702	\$ 58,760	\$ 689,212	\$ 910,995
Capital assets	<u>4,456,024</u>	<u>4,629,749</u>	<u>6,469</u>	<u>9,821</u>	<u>4,462,493</u>	<u>4,639,570</u>
Total assets	<u>5,059,534</u>	<u>5,481,984</u>	<u>92,171</u>	<u>68,581</u>	<u>5,151,705</u>	<u>5,550,565</u>
Long-term debt outstanding	4,561,266	4,577,911	--	--	4,561,266	4,577,911
Other liabilities	<u>294,727</u>	<u>259,277</u>	<u>--</u>	<u>--</u>	<u>294,727</u>	<u>259,277</u>
Total liabilities	<u>4,855,993</u>	<u>4,837,188</u>	<u>--</u>	<u>--</u>	<u>4,855,993</u>	<u>4,837,188</u>
Unavailable revenue	<u>6,836</u>	<u>12,944</u>	<u>--</u>	<u>--</u>	<u>6,836</u>	<u>12,944</u>
Total deferred inflow of resources	<u>6,836</u>	<u>12,944</u>	<u>--</u>	<u>--</u>	<u>6,836</u>	<u>12,944</u>
Net position						
Net investment in capital assets	(340,756)	(159,180)	6,469	9,821	(334,287)	(149,359)
Restricted	64,149	147,049	5,898	5,898	70,047	152,947
Unrestricted	<u>473,312</u>	<u>643,983</u>	<u>79,804</u>	<u>52,862</u>	<u>553,116</u>	<u>696,845</u>
Total net position	<u>\$ 196,705</u>	<u>\$ 631,852</u>	<u>\$ 92,171</u>	<u>\$ 68,581</u>	<u>\$ 288,876</u>	<u>\$ 700,433</u>

Comments on Budget Comparisons

1) Excluding on-behalf payments of \$724,003, the General Fund budget compared to actual revenue varied slightly from line item to line item with an ending actual balance being \$203,458 or 8.02% more than budgeted. Approximately 50% of this difference is due to an increase in tax revenue while the remaining 50% is due to an increase in SEEK revenue.

2) Actual General Fund expenditures, net of on-behalf payments of \$724,003 compared to budget expenditures, net of contingency allotments, was \$99,301 or 3.60% more than budget.

Burgin Independent Board of Education - Burgin, Kentucky

Management's Discussion and Analysis (MD&A), continued

For the Year Ended June 30, 2014

The following table presents a comparative summary of revenue and expenses for the fiscal year ended June 30, 2014 and 2013, for selected funds:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Revenues						
Program revenues:						
Charges for services	\$ 4,805	\$ --	\$ 78,235	\$ 88,461	\$ 83,040	\$ 88,461
Operating grants and contributions	180,684	396,407	136,534	139,651	317,218	536,058
Capital grants and contributions	106,383	99,297	--	--	106,383	99,297
General revenues:						
Property taxes	1,477,854	1,473,936	--	--	1,477,854	1,473,936
Other taxes	130,956	117,556	--	--	130,956	117,556
Investment earnings	874	1,625	--	--	874	1,625
State and formula grants	1,574,627	1,305,614	2,482	--	1,577,109	1,305,614
Gain (loss) on sale of assets	(798)	--	--	--	(798)	--
State on-behalf payments	724,003	732,554	12,025	11,900	736,028	744,454
Miscellaneous	57,867	89,779	--	--	57,867	89,779
Total revenues	<u>\$ 4,257,255</u>	<u>\$ 4,216,768</u>	<u>\$ 229,276</u>	<u>\$ 240,012</u>	<u>\$ 4,486,531</u>	<u>\$ 4,456,780</u>
Summary of Expenses						
Expenses						
Instruction	\$ 2,658,250	\$ 2,533,308	\$ --	\$ --	\$ 2,658,250	\$ 2,533,308
Support services:						
Student	96,604	92,424	--	--	96,604	92,424
Instruction staff	194,590	178,221	--	--	194,590	178,221
District administrative	283,420	256,388	--	--	283,420	256,388
School administrative	323,603	324,917	--	--	323,603	324,917
Business	142,377	139,738	--	--	142,377	139,738
Plant operation and maintenance	512,634	1,126,571	--	--	512,634	1,126,571
Student transportation	149,087	139,172	--	--	149,087	139,172
Community service activities	22,658	17,562	--	--	22,658	17,562
Other	--	--	--	--	--	--
Interest on long-term debt	148,348	126,722	--	--	148,348	126,722
Food service operation	--	--	205,686	190,068	205,686	190,068
KSBIT Assessment	15,831	--	--	--	15,831	--
Total expenses	<u>\$ 4,547,402</u>	<u>\$ 4,935,023</u>	<u>\$ 205,686</u>	<u>\$ 190,068</u>	<u>\$ 4,753,088</u>	<u>\$ 5,125,091</u>
Increase (decrease) in net position	(290,147)	(718,255)	23,590	49,944	(266,557)	(668,311)
Net position - beginning, as restated	<u>486,852</u>	<u>1,350,107</u>	<u>68,581</u>	<u>18,637</u>	<u>555,433</u>	<u>1,368,744</u>
Net position - ending	<u>\$ 196,705</u>	<u>\$ 631,852</u>	<u>\$ 92,171</u>	<u>\$ 68,581</u>	<u>\$ 288,876</u>	<u>\$ 700,433</u>

Burgin Independent Board of Education - Burgin, Kentucky

Management's Discussion and Analysis (MD&A), continued

For the Year Ended June 30, 2014

Budgetary Implications

In Kentucky the fiscal year for public schools is July 1 - June 30; other programs, i.e. some federal, operate on a different fiscal calendar, but are reflected in the District overall budget. By law the budget must have a minimum 2 percent contingency. The District adopted a budget with \$397,822 in contingency overall.

The Burgin Independent Board of Education believes that successful student achievement is the most important task of the school district. They are committed to making sound fiscal decisions to achieve the best educational opportunities for all students.

Capital Assets (Net of Depreciation)

As of June 30, 2014, the District had invested \$4,462,493 in capital assets as reflected in the following table, which represents a net decrease (additions, deductions and depreciation) of \$177,077. Additional detailed information on Capital Assets is available in the Notes to the Financial Statements.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Land and improvements	\$ 36,549	\$ 39,376	\$ --	\$ --	\$ 36,549	\$ 39,376
Buildings and improvements	4,231,389	4,376,926	--	--	4,231,389	4,376,926
Technology equipment	62,091	55,528	--	--	62,091	55,528
Vehicles	122,624	152,586	--	--	122,624	152,586
General equipment	3,371	5,333	--	--	3,371	5,333
Food service and equipment	--	--	6,469	9,821	6,469	9,821
	<u>\$ 4,456,024</u>	<u>\$ 4,629,749</u>	<u>\$ 6,469</u>	<u>\$ 9,821</u>	<u>\$ 4,462,493</u>	<u>\$ 4,639,570</u>

Burgin Independent Board of Education - Burgin, Kentucky
Management's Discussion and Analysis (MD&A), continued
Year Ended June 30, 2014

Debt Administration

At June 30, 2014, the District had \$4,615,000 in bonds outstanding. Of this amount, \$258,056 is to be paid from the KSFCC funding provided by the State. A total of \$210,000 is due within one year.

At June 30, 2013, the District had \$4,820,000 in bonds outstanding. Of this amount, \$280,992 is to be paid from the KSFCC funding provided by the State. A total of \$205,000 is due within one year.

Principal payments were made in the amount of \$205,000 during the current fiscal.

Governmental Activities	<u>Beginning Balance, As Restated</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable	\$ <u>4,820,000</u>	\$ <u>205,000</u>	\$ <u>4,615,000</u>	\$ <u>210,000</u>

Government-wide Financial Statements

BURGIN INDEPENDENT BOARD OF EDUCATION

Statement of Net Position

June 30, 2014

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 169,676	\$ 79,804	\$ 249,480
Money market investments	416,997	--	416,997
Inventory	--	5,898	5,898
Accounts receivable	16,837	--	16,837
Capital assets and tangible costs	7,204,590	75,987	7,280,577
Less: accumulated depreciation	<u>(2,748,566)</u>	<u>(69,518)</u>	<u>(2,818,084)</u>
Total assets	<u>5,059,534</u>	<u>92,171</u>	<u>5,151,705</u>
Liabilities			
Accounts payable	11,778	--	11,778
Long-term liabilities:			
Due within one year:			
Debt obligations	251,345	--	251,345
Due in more than one year:			
Debt obligations	4,561,266	--	4,561,266
Accumulated sick leave payable	<u>31,604</u>	<u>--</u>	<u>31,604</u>
Total liabilities	<u>4,855,993</u>	<u>--</u>	<u>4,855,993</u>
Deferred Inflow of Resources			
Unavailable revenue	<u>6,836</u>	<u>--</u>	<u>6,836</u>
Net Position			
Net investment in capital assets	(340,756)	6,469	(334,287)
Restricted for:			
Other purposes: (nonexpendable)	64,149	5,898	70,047
Unrestricted	<u>473,312</u>	<u>79,804</u>	<u>553,116</u>
Total net position	<u>\$ 196,705</u>	<u>\$ 92,171</u>	<u>\$ 288,876</u>

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

BURGIN INDEPENDENT BOARD OF EDUCATION

Statement of Activities

For the Year June 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		<u>Total</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
Governmental activities:							
Instruction	\$ 2,658,250	\$ 4,805	\$ 174,830	\$ --	\$ (2,478,615)	\$ --	\$ (2,478,615)
Support services:							
Student	96,604	--	--	--	(96,604)	--	(96,604)
Instruction staff	194,590	--	--	--	(194,590)	--	(194,590)
District administrative	283,420	--	--	--	(283,420)	--	(283,420)
School administrative	323,603	--	--	--	(323,603)	--	(323,603)
Business	142,377	--	--	--	(142,377)	--	(142,377)
Plant operation and maintenance	512,634	--	--	--	(512,634)	--	(512,634)
Student transportation	149,087	--	--	--	(149,087)	--	(149,087)
Facilities acquisition and construction	--	--	--	106,383	106,383	--	106,383
Community service activities	22,658	--	--	--	(22,658)	--	(22,658)
Interest on long-term debt	148,348	--	5,854	--	(142,494)	--	(142,494)
KSBIT Assessment	<u>15,831</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(15,831)</u>	<u>--</u>	<u>(15,831)</u>
Total governmental activities	<u>4,547,402</u>	<u>4,805</u>	<u>180,684</u>	<u>106,383</u>	<u>(4,255,530)</u>	<u>--</u>	<u>(4,255,530)</u>
Business-type activities:							
Food service	<u>205,686</u>	<u>78,235</u>	<u>136,534</u>	<u>--</u>	<u>--</u>	<u>9,083</u>	<u>9,083</u>
Total business-type activities	<u>205,686</u>	<u>78,235</u>	<u>136,534</u>	<u>--</u>	<u>--</u>	<u>9,083</u>	<u>9,083</u>
Total primary government	<u>\$ 4,753,088</u>	<u>\$ 83,040</u>	<u>\$ 317,218</u>	<u>\$ 106,383</u>	<u>(4,255,530)</u>	<u>9,083</u>	<u>(4,246,447)</u>
General revenues:							
Taxes:							
Property taxes					\$ 1,349,110	\$ --	\$ 1,349,110
Motor vehicle taxes					128,744	--	128,744
Utility taxes					128,417	--	128,417
Other taxes					2,539	--	2,539
Investment earnings					874	--	874
State and formula grants					1,574,627	2,482	1,577,109
Gain (loss) on sale of assets					(798)	--	(798)
On-behalf payments					724,003	12,025	736,028
Miscellaneous					<u>57,867</u>	<u>--</u>	<u>57,867</u>
Change in net position					(290,147)	23,590	(266,557)
Net position - beginning, as previously reported					631,852	68,581	700,433
Prior period adjustment					<u>(145,000)</u>	<u>--</u>	<u>(145,000)</u>
Net position - beginning, as restated					<u>486,852</u>	<u>68,581</u>	<u>555,433</u>
Net position - ending					<u>\$ 196,705</u>	<u>\$ 92,171</u>	<u>\$ 288,876</u>

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

BURGIN INDEPENDENT BOARD OF EDUCATION

Balance Sheet - Governmental Funds

June 30, 2014

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 130,884	\$ 6,247	\$ 32,545	\$ 169,676
Money market investments	416,997	--	--	416,997
Accounts receivable	<u>16,248</u>	<u>589</u>	<u>--</u>	<u>16,837</u>
Total assets	<u>\$ 564,129</u>	<u>\$ 6,836</u>	<u>\$ 32,545</u>	<u>\$ 603,510</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 11,778	\$ --	\$ --	\$ 11,778
Unavailable revenue	<u>--</u>	<u>6,836</u>	<u>--</u>	<u>6,836</u>
Total liabilities	<u>11,778</u>	<u>6,836</u>	<u>--</u>	<u>18,614</u>
Fund balances:				
Committed - other	31,604	--	--	31,604
Restricted - future construction	--	--	32,545	32,545
Unassigned	<u>520,747</u>	<u>--</u>	<u>--</u>	<u>520,747</u>
Total fund balances	<u>552,351</u>	<u>--</u>	<u>32,545</u>	<u>584,896</u>
Total liabilities and fund balances	<u>\$ 564,129</u>	<u>\$ 6,836</u>	<u>\$ 32,545</u>	<u>\$ 603,510</u>

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

BURGIN INDEPENDENT BOARD OF EDUCATION

**Statement of Revenues, Expenditures & Changes in Fund Balances
Governmental Funds**

For the Year Ended June 30, 2014

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Nonmajor Governmental Funds</u>	<u>Total (Memorandum Only)</u>
Revenues				
Taxes:				
Property	\$ 1,102,102	\$ --	\$ 247,008	\$ 1,349,110
Motor vehicle	128,744	--	--	128,744
Utilities	128,417	--	--	128,417
Other	2,539	--	--	2,539
Tuition and fees	4,805	--	--	4,805
Earnings on investments	874	--	--	874
Other local revenues	48,482	--	--	48,482
Intergovernmental - state	2,048,925	220,915	135,173	2,405,013
Intergovernmental - indirect federal	--	<u>174,830</u>	--	<u>174,830</u>
Total revenues	<u>3,464,888</u>	<u>395,745</u>	<u>382,181</u>	<u>4,242,814</u>
Expenditures				
Instruction	2,108,325	376,712	--	2,485,037
Support services:				
Student	96,604	--	--	96,604
Instructional staff	192,241	2,349	--	194,590
District administration	282,063	--	--	282,063
School administration	237,915	--	--	237,915
Business	141,267	--	--	141,267
Plant operations and maintenance	370,958	--	--	370,958
Student transportation	149,087	--	--	149,087
Community service	--	22,658	--	22,658
Facilities acquisition and construction	--	--	147,049	147,049
Debt service:				
Principal	--	--	231,018	231,018
Interest	--	--	<u>148,348</u>	<u>148,348</u>
Total expenditures	<u>3,578,460</u>	<u>401,719</u>	<u>526,415</u>	<u>4,506,594</u>
Excess (deficit) of revenues over expenditures (carry forward)	<u>(113,572)</u>	<u>(5,974)</u>	<u>(144,234)</u>	<u>(263,780)</u>

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

BURGIN INDEPENDENT BOARD OF EDUCATION

**Statement of Revenues, Expenditures & Changes in Fund Balances
Governmental Funds, continued**

For the Year Ended June 30, 2014

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Nonmajor Governmental Funds</u>	<u>Total (Memorandum Only)</u>
Excess (deficit) of revenues over expenditures (brought forward)	<u>(113,572)</u>	<u>(5,974)</u>	<u>(144,234)</u>	<u>(263,780)</u>
Other financing sources (uses):				
Operating transfers in	9,385	5,974	350,576	365,935
Operating transfers out	<u>(35,704)</u>	<u>- -</u>	<u>(320,846)</u>	<u>(356,550)</u>
Total other financing sources (uses)	<u>(26,319)</u>	<u>5,974</u>	<u>29,730</u>	<u>9,385</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(139,891)	- -	(114,504)	(254,395)
Fund balance June 30, 2013	<u>692,242</u>	<u>- -</u>	<u>147,049</u>	<u>839,291</u>
Fund balance June 30, 2014	<u>\$ 552,351</u>	<u>\$ - -</u>	<u>\$ 32,545</u>	<u>\$ 584,896</u>

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

BURGIN INDEPENDENT BOARD OF EDUCATION

**Reconciliation of the Balance Sheet -
Governmental Funds to the Statement of Net Position**

June 30, 2014

Total fund balance per fund financial statements	\$ 584,896
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.	4,456,024
Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave) are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position.	<u>(4,844,215)</u>
Net position for governmental activities	<u>\$ 196,705</u>

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

BURGIN INDEPENDENT BOARD OF EDUCATION

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds
To the Statement of Activities**

For the Year Ended June 30, 2014

Net change in total fund balances per fund financial statements	\$ (254,395)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which depreciation expense exceeds capital outlays this year.	(172,927)
Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.	231,018
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.	<u>(93,843)</u>
Change in net position of governmental activities	<u>\$ (290,147)</u>

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

BURGIN INDEPENDENT BOARD OF EDUCATION

Statement of Net Position - Proprietary Funds

June 30, 2014

	Food Service <u>Fund</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 79,804
Inventory	<u>5,898</u>
Total current assets	<u>85,702</u>
Noncurrent assets:	
Capital assets	75,987
Less: accumulated depreciation	<u>(69,518)</u>
Total noncurrent assets	<u>6,469</u>
Total assets	<u>92,171</u>
Net Position	
Net investment in capital assets	6,469
Restricted for:	
Inventory	5,898
Unrestricted	<u>79,804</u>
Total net position	<u>\$ 92,171</u>

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

BURGIN INDEPENDENT BOARD OF EDUCATION

**Statement of Revenues, Expenses,
and Changes in Fund Net Position - Proprietary Funds**

For the Year Ended June 30, 2014

	Food Service <u>Fund</u>
Operating revenues:	
Lunchroom sales	\$ 78,235
Total operating revenues	<u>78,235</u>
Operating expenses:	
Salaries and wages	87,831
Materials and supplies	99,031
Depreciation expense	3,352
Other operating expenses	<u>15,472</u>
Total operating expenses	<u>205,686</u>
Operating income (loss)	<u>(127,451)</u>
Non-operating revenues (expenses)	
Federal grants	136,534
Other state funding	<u>14,507</u>
Non-operating revenue (expenses)	<u>151,041</u>
Change in net position	23,590
Net position June 30, 2013	<u>68,581</u>
Net position June 30, 2014	<u>\$ 92,171</u>

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

BURGIN INDEPENDENT BOARD OF EDUCATION

Statement of Cash Flows - Proprietary Funds

For the Year Ended June 30, 2014

	Food Service Fund
Cash flows from operating activities:	
Cash received from lunchroom sales	\$ 78,235
Cash payments to employees for services	(87,831)
Cash payments to suppliers for good and services	(99,031)
Cash payments for other operating activities	<u>(15,472)</u>
Net cash used by operating activities	<u>(124,099)</u>
Cash flows from noncapital financing activities:	
Cash received from government grants	<u>164,777</u>
Net cash provided by noncapital financing activities	<u>164,777</u>
Increase in cash and cash equivalents	40,678
Cash and cash equivalents, June 30, 2013	<u>39,126</u>
Cash and cash equivalents, June 30, 2014	<u>\$ 79,804</u>
Reconciliation of operating income (loss) to net cash used by operating activities:	
Operating income (loss)	\$ (127,451)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	<u>3,352</u>
Net cash used by operating activities	<u>\$ (124,099)</u>

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

BURGIN INDEPENDENT BOARD OF EDUCATION

Statement of Fiduciary Net Position

June 30, 2014

	<u>Private Purpose Trust Funds</u>	<u>Agency Fund</u>
Assets		
Cash and cash equivalents	\$ 888	\$ 63,514
Investments	<u>182,226</u>	<u>- -</u>
Total assets	<u>183,114</u>	<u>63,514</u>
Liabilities		
Due to student groups	<u>- -</u>	<u>63,514</u>
Total liabilities	<u>- -</u>	<u>\$ 63,514</u>
Net Position		
Held in trust for instruction	<u>\$ 183,114</u>	

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

BURGIN INDEPENDENT BOARD OF EDUCATION

Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2014

	<u>Private Purpose Trust Funds</u>
Additions:	
Earnings on investments	\$ 20,384
Deductions:	
Instruction	<u> --</u>
Change in net position	20,384
Net position June 30, 2013	<u>162,730</u>
Net position June 30, 2014	<u>\$ 183,114</u>

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

Notes to the Basic Financial Statements

BURGIN INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements

Note A - Summary of Significant Accounting Policies

Reporting Entity

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

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Burgin Independent 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 organization are included in the accompanying financial statements:

Burgin Independent School District Finance Corporation

In a prior year the Board of Education resolved to authorize the establishment of the Burgin Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (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.

BURGIN INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements, continued

Note A - Summary of Significant Accounting Policies, continued

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.

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. Non-major 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.

BURGIN INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements, continued

Note A - Summary of Significant Accounting Policies, continued

- (B) The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards. 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.
 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.
- (D) Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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 Fund is a major fund.

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

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

BURGIN INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements, continued

Note A - Summary of Significant Accounting Policies, continued

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

- (B) The Private Purpose Trust funds are used to report trust arrangements under which principal and income benefit individuals, private organizations or other governments.

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

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

Unavailable Revenue - Unavailable 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 unavailable 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 unavailable revenue.

BURGIN INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements, continued

Note A - Summary of Significant Accounting Policies, continued

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

Property Tax Revenues

Property taxes collected are recorded as revenues in the fund for which they were levied. The assessed value of real property upon which the levy for the 2013 fiscal year was based totaled \$199,422,306; tangible property assessments were \$2,596,515. Additionally, PSC real property assessed value was \$4,143,484 and PSC tangible assessed value \$11,702,925.

The tax rates assessed for the year ended June 30, 2014 to finance general fund operations were \$.617 per \$100 valuation on real estate and \$.617 per \$100 valuation on tangible property. Taxes are due on December 31 and become delinquent on January 1.

The District levies a utility gross receipts license tax at 3% of gross receipts derived from franchise rights within the District boundaries of communication services, cablevision services, electric power distribution, water, and gas.

In-Kind

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

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.

BURGIN INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements, continued

Note A - Summary of Significant Accounting Policies, continued

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

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Building 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 payables resulting from short-term inter-fund loans are classified as "inter-fund 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 receive a calculated amount 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.

BURGIN INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements, continued

Note A - Summary of Significant Accounting Policies, continued

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

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).

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

The Board does not budget for on-behalf payments, which are reported with the General Fund and the Food Service Fund in the fund financial statements and the budgetary comparison supplementary information.

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.

Investments

Investments consist primarily of assets invested in marketable equity and debt securities and money market accounts. The District accounts for investments in accordance with FASB ASC 958-320 and subsections. This standard requires that investments in equity securities with readily determinable fair values and all investments in debt securities be measured at fair value in the statement of financial position. Fair value of marketable equity and debt securities is based on quoted market prices. The realized and unrealized gain or loss on investments is reflected in the statement of changes in net position.

Investments are exposed to various risks such as significant world events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of net position.

BURGIN INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements, continued

Note A - Summary of Significant Accounting Policies, continued

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.

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 non-current 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 Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories and fixed assets.

Net Position

Net position represents the difference between all other elements in a statement of financial position and should be displayed in three components – *net investment in capital assets*; *restricted* (distinguishing between major categories of restrictions); and *unrestricted*. The calculation of *net investment in capital assets* is similar to the prior calculation of investment in capital assets, net of related debt; however, with the implementation of GASB Statement No. 63, the deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt should be included in this component of net position.

BURGIN INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements, continued

Note A - Summary of Significant Accounting Policies, continued

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.

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

At year-end, the carrying amount of the District's total cash and cash equivalents was \$730,879. Of the total cash balance, \$250,000 was covered by Federal Depository insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. The bank pledged securities with a book value of \$2,946,438 and a fair market value of \$3,224,927. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

Note D - Investments

Investments stem from the estate of Ms. Ruby Proctor left to Burgin Independent School District to be administered by the Superintendent; the principal shall be invested in trust-grade instruments and the annual earnings/interest distributed to classroom teachers. To be eligible for a "Proctor Grant" the teachers must submit an entry application for a creative, innovative, effective proposal and plan for a special classroom project that goes beyond the standard curriculum. Ms. Proctor urged that those involved in this program be liberal in creativity, to stir the imagination of the students and to build character and a love of learning.

Investments at June 30, 2014, consist of the following:

	<u>Cost</u>	<u>Fair Value</u>
Money market accounts	\$ 24,975	\$ 24,975
Common stock	60,201	115,923
Exchange traded funds	<u>38,025</u>	<u>41,328</u>
	<u>\$ 123,201</u>	<u>\$ 182,226</u>

BURGIN INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements, continued

Note E - Capital Assets

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

<u>Governmental Activities</u>	<u>Balance June 30, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2014</u>
Land and improvements	\$ 203,022	\$ --	\$ --	\$ 203,022
Buildings and improvements	6,111,911	--	--	6,111,911
Technology equipment	295,094	28,100	(7,800)	315,394
Vehicles	544,003	--	--	544,003
General equipment	<u>30,260</u>	<u>--</u>	<u>--</u>	<u>30,260</u>
Totals at historical cost	<u>7,184,290</u>	<u>28,100</u>	<u>(7,800)</u>	<u>7,204,590</u>
Less: accumulated depreciation				
Land improvements	163,646	2,827	--	166,473
Buildings and improvements	1,734,985	145,537	--	1,880,522
Technology equipment	239,566	20,739	(7,002)	253,303
Vehicles	391,417	29,962	--	421,379
General equipment	<u>24,927</u>	<u>1,962</u>	<u>--</u>	<u>26,889</u>
Total accumulated depreciation	<u>2,554,541</u>	<u>201,027</u>	<u>(7,002)</u>	<u>2,748,566</u>
Governmental activities capital assets - net	<u>\$ 4,629,749</u>	<u>\$ (172,927)</u>	<u>\$ (798)</u>	<u>\$ 4,456,024</u>
 <u>Business-type Activities</u>				
Food service equipment	\$ 74,387	\$ --	\$ --	\$ 74,387
Technology equipment	<u>1,600</u>	<u>--</u>	<u>--</u>	<u>1,600</u>
Totals at historical cost	<u>75,987</u>	<u>--</u>	<u>--</u>	<u>75,987</u>
Less: accumulated depreciation				
Food service equipment	64,566	3,352	--	67,918
Technology equipment	<u>1,600</u>	<u>--</u>	<u>--</u>	<u>1,600</u>
Total accumulated depreciation	<u>66,166</u>	<u>3,352</u>	<u>--</u>	<u>69,518</u>
Business-type activities capital assets - net	<u>\$ 9,821</u>	<u>\$ (3,352)</u>	<u>\$ --</u>	<u>\$ 6,469</u>

BURGIN INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements, continued

Note F - Capital Lease Payable

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

<u>Description</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>Original Principal Amount</u>	<u>Principal Balance 6/30/13</u>	<u>Debt Issued</u>	<u>Debt Paid</u>	<u>Principal Balance 6/30/14</u>	<u>Due Within One Year</u>
2005 KISTA Bond	3/1/2015	3.00% - 3.625%	\$ 120,315	\$ 22,646	\$ --	\$ 11,133	\$ 11,513	\$ 11,513
2006 KISTA Bond	3/1/2017	3.50% - 3.875%	67,732	28,191	--	7,273	20,918	7,560
2011 KISTA Bond	3/1/2021	1.00% - 4.00%	80,716	63,092	--	7,612	55,480	7,778
2014 KISTA Bond	3/1/2024	2.00% - 3.00%	93,869	--	93,869	--	93,869	10,160
			<u>\$ 362,632</u>	<u>\$ 113,929</u>	<u>\$ 93,869</u>	<u>\$ 26,018</u>	<u>\$ 181,780</u>	<u>\$ 37,011</u>

<u>Fiscal Year Ending June 30,</u>	<u>District</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2015	\$ 37,011	\$ 4,987	\$ 41,998
2016	24,823	3,948	28,771
2017	23,805	3,298	27,103
2018	17,381	2,633	20,014
2019	17,800	2,194	19,994
Thereafter	<u>60,960</u>	<u>4,459</u>	<u>65,419</u>
	<u>\$ 181,780</u>	<u>\$ 21,519</u>	<u>\$ 203,299</u>

Total minimum lease payments	\$ 203,299
Less: amount representing interest	<u>21,519</u>
Present value of net minimum lease payments	<u>\$ 181,780</u>

Note G - Bonded Debt

The amount shown in the accompanying financial statements as current and non-current portions of bond obligations represent the District's future obligation to make bond payments relating to the bonds issued by the Fiscal Court of Burgin Independent School District.

BURGIN INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements, continued

Note G - Bonded Debt, continued

<u>Issue</u>	<u>Original Principal Amount</u>	<u>Interest Rates</u>	<u>Principal Outstanding at June 30, 2014</u>	<u>Maturity Date</u>
Series of March 1, 2001	\$ 640,000	4.25% - 4.60%	\$ 135,000	6/1/2017
Series of January 1, 2004	1,580,000	1.15% - 4.50%	- -	2/1/2025
Series of June 1, 2011	2,345,000	1.00% - 4.30%	2,175,000	6/1/2031
Series of March 1, 2012	1,370,000	0.70% - 3.00%	1,330,000	2/1/2025
Series of December 1, 2012	<u>1,005,000</u>	1.00% - 2.75%	<u>975,000</u>	12/1/2032
	<u>\$ 6,940,000</u>		<u>\$ 4,615,000</u>	

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

<u>Year</u>	<u>Burgin Independent School District</u>		<u>Kentucky School Facilities Construction Commission</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2015	\$ 186,342	\$ 134,110	\$ 23,658	\$ 5,135	\$ 349,245
2016	191,107	130,103	23,893	4,897	350,000
2017	195,628	125,336	24,372	4,419	349,755
2018	200,141	120,554	24,859	3,932	349,486
2019	204,643	116,153	25,357	3,433	349,586
2020	209,134	111,635	25,866	2,925	349,560
2021	218,616	106,837	26,384	2,407	354,244
2022	223,087	101,598	26,913	1,877	353,475
2023	227,511	95,877	27,489	1,303	352,180
2024	231,892	89,610	28,108	683	350,293
2025	239,854	83,187	146	48	323,235
2026	249,848	75,073	152	42	325,115
2027	259,841	65,613	159	36	325,649
2028	269,836	55,588	164	29	325,617
2029	279,828	45,007	172	23	325,030
2030	289,822	34,014	178	16	324,030
2031	299,814	22,172	186	8	322,180
2032	185,000	7,906	- -	- -	192,906
2033	<u>195,000</u>	<u>2,681</u>	<u>- -</u>	<u>- -</u>	<u>197,681</u>
	<u>\$ 4,356,944</u>	<u>\$ 1,523,054</u>	<u>\$ 258,056</u>	<u>\$ 31,213</u>	<u>\$ 6,169,267</u>

	<u>Beginning Balance, As Restated</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities				
Bonds payable	<u>\$ 4,820,000</u>	<u>\$ 205,000</u>	<u>\$ 4,615,000</u>	<u>\$ 210,000</u>

BURGIN INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements, continued

Note H - Interest Expense

For the year ended June 30, 2014, cash expenditures for interest were \$148,348. Expenditures consist of bond issue interest of \$142,494 paid by the District and \$5,854 paid by Kentucky School Facilities Construction Commission.

Note I - Retirement Plans

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

Certified employees are covered under KTRS. Funding for the Plan is provided through payroll withholdings of 11.355% for employees and matching state contributions. The Commonwealth of Kentucky is required to contribute 14.605% of salaries for employees. The federal program that pays for salaries also pays the matching contributions. KTRS requires that members of KTRS occupy a position requiring either a four year college degree or certification by KY Department of Education (KDE).

Substantially all other employees (classified personnel) are covered under the County Employees Retirement System ("CERS"), a cost sharing, multiple-employer, public employers' retirement system. Funding for the Plan is provided through payroll withholdings of 5% and 6% for employees hired after September 1, 2008 and a Board contribution of 18.89% of the employee's total compensation.

The Board's total payroll for the year was \$2,593,081. The payroll for employees covered under KTRS was \$1,984,833 and for CERS was \$608,248.

The contribution requirement for CERS for the year ended June 30, 2014 was \$131,716 which consisted of \$103,896 from the Board and \$27,820 from the employees. The contribution requirement for KTRS for the year ended June 30, 2014 was \$269,987 which consisted of \$44,610 from the Board and \$225,377 from the employees. For June 30, 2013 and 2012 the Board's contributions to CERS and KTRS were: CERS \$105,368 and \$97,088; KTRS \$34,333 and \$29,723.

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

BURGIN INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements, continued

Note I - Retirement Plans, continued

Ten-year historical trend information showing KTRS's and CERS's progress in accumulating sufficient assets to pay benefits when due is presented in their June 30, 2013 comprehensive annual financial reports. As the District is only one of several employers participating in the Plan, it is not practicable to determine the District's portion of the unfunded past service cost or the vested benefits of the District's portion of the Plan assets.

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

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 - Litigation

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

Note L - 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 rated and does include Workers' Compensation insurance.

Note M - 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 purchases commercial insurance from Ohio Casualty Insurance Association.

BURGIN INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements, continued

Note M - Risk Management, continued

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.

Note N - Deficit Operating Balances

There are no funds of the District that currently have a deficit fund balance.

Note O - 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 P - Transfer of Funds

The following transfers were made during the year:

<u>From fund</u>	<u>To fund</u>	<u>Purpose</u>	<u>Amount</u>
Food service	General	Indirect costs	\$ 9,385
General	Debt service	Debt payments	29,730
General	Special revenue	Technology match	5,974
Building	Debt service	Debt payments	280,346
Capital outlay	Debt service	Debt payments	40,500

Note Q - New Accounting Pronouncements

During the current fiscal year, the Burgin Independent Board of Education implemented the following GASB Statements:

GASB Statement No. 62, GASB Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncement - The implementation of this Statement eliminated the need to disclose a statement in the Summary of Significant Accounting Policies footnote that proprietary fund types apply all applicable pronouncements of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989 that are not in conflict with applicable GASB pronouncements. This also removed the requirement to disclose whether the District had implemented any pronouncements subsequent to November 30, 1989.

BURGIN INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements, continued

Note Q - New Accounting Pronouncements, continued

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* - The implementation of this Statement required the District to present a Statement of Net Position, instead of the previously required Statement of Net Assets. The Statement of Net Position should report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. GASB 63 encourages the presentation of the statement of net position in a format that displays assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equals net position, although a balance sheet format (assets plus deferred outflows of resources equals liabilities plus deferred inflows of resources, plus net Position) may be used.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* - The implementation of this Statement required the District to adopt provisions of Concepts Statement No. 4 for all other items reported as assets and liabilities, which were not addressed as part GASB 63. The Statement also revises the major fund calculation so that assets are combined with deferred outflows of resources and liabilities should be combined with deferred inflows of resources. GASB 65 also restricts the use of the term *deferred* to only deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 70, *Accounting and Financial Reporting for Non-exchange Financial Guarantees* - The implementation of this Statement will enhance comparability of financial statements among governments by requiring consistent reporting by those governments that extend non-exchange financial guarantees and by those governments that receive non-exchange financial guarantees. This Statement also will enhance the information disclosed about a government's obligations and risk exposure from extending non-exchange financial guarantees. This Statement also will augment the ability of financial statement users to assess the probability that governments will repay obligation holders by requiring disclosures about obligations that are issued with this type of financial guarantee.

In June 2013, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No.27*. Statement No. 68 replaces previous requirements related to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The objective of Statement No. 68 is to improve accounting and financial reporting for pensions provided to employees of state and local governments, and information about financial support for pensions that is provided by other entities. This Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This Statement also provides related note disclosure and supplementary information requirements. Statement No. 68 is effective for years beginning after December 15, 2013. The District has not determined the potential impact, if any, this pronouncement will have on its future financial statements.

BURGIN INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements, continued

Note Q - New Accounting Pronouncements, continued

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations* - The implementation of this Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. Statement No. 69 is effective for financial reporting periods beginning after December 15, 2013. The District has not determined the potential impact, if any; this pronouncement will have on its future financial statements.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement No. 68. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68, which is effective for years beginning after December 15, 2014. The District has not determined the potential impact, if any; this pronouncement will have on its future financial statements.

Note R - KSBIT Assessment

The Kentucky School Boards Insurance Trust (KSBIT) was created in 1978 to provide coverage through nonprofit self-insured pools authorized under Kentucky law. In a memo to members on January 14, 2013, KSBIT informed its members that despite years of work to eliminate deficits in these pools, which under law require corrective action. Subsequent to the current year end, the Franklin Circuit Court issued an order instructing the former members to pay their required share of the assessment. Based on the Court's assessment plan, the Burgin Independent Board of Education was assessed \$2,507 for liability and \$13,324 for workers' compensation, totaling \$15,831. The assessment will not be recorded as a liability on the fund financial statements, because it has not met the GASB criteria under Interpretation 6 for accrual. However, a liability will be recorded on the government-wide financial statements because under GASB 10 the criteria that a liability has been incurred and the amount can be reasonably estimated have been met. The District has elected to pay the liability in an installment plan at zero percent interest over the next seven years.

BURGIN INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements, continued

Note R - KSBIT Assessment, continued

Aggregate payments required on the KSBIT liability for each of the succeeding five years are as follows:

2015	\$ 4,334
2016	2,418
2017	2,418
2018	1,666
2019	1,666
Thereafter	<u>3,329</u>
	<u>\$ 15,831</u>

Note S - On-Behalf Payments

The District receives on-behalf payments from various state agencies for the employer's portion of health benefits, Kentucky Teachers' Retirement System (KTRS), technology and debt services. The amount received for the fiscal year ended June 30, 2014, was \$736,028. These payments were recorded as follows:

General fund	\$ 695,213
Food services fund	12,025
Debt service fund	<u>28,790</u>
	<u>\$ 736,028</u>

Note T - Prior Period Adjustment

During 2013, an accounting error resulting in a misstatement of a previously reported amount for debt obligations was discovered. Accordingly, an adjustment amounting to a \$145,000 increase to debt obligations was made to correct this error.

Note U - Subsequent Events

Subsequent events have been evaluated through November 12, 2014 which is the date the financial statements were available to be issued.

Budgetary Comparison

BURGIN INDEPENDENT BOARD OF EDUCATION

**Statement of Revenues, Expenditures
and Changes in Fund Balance
Budget and Actual - General Fund**

For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>			<u>Final Budget Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 1,216,964	\$ 1,266,964	\$ 1,361,802	\$ 94,838
Tuition and fees	--	--	4,805	4,805
Earnings on investments	5,000	5,000	874	(4,126)
Other local revenues	4,200	11,982	48,482	36,500
Intergovernmental - state	1,253,481	1,253,481	2,048,925	795,444
Intergovernmental - indirect federal	--	--	--	--
Intergovernmental - direct federal	--	--	--	--
Total revenues	<u>2,479,645</u>	<u>2,537,427</u>	<u>3,464,888</u>	<u>927,461</u>
Expenditures:				
Instruction	1,519,212	1,555,400	2,108,325	(552,925)
Support services:				
Student	74,034	75,034	96,604	(21,570)
Instructional staff	138,028	154,804	192,241	(37,437)
District administration	204,476	199,476	282,063	(82,587)
School administration	184,270	184,280	237,915	(53,635)
Business	113,174	113,174	141,267	(28,093)
Plant operations and maintenance	276,364	347,256	370,958	(23,702)
Student transportation	125,732	125,732	149,087	(23,355)
Central office	--	--	--	--
Food service	--	--	--	--
Community service	--	--	--	--
Facilities acquisition and construction	--	--	--	--
Debt service	--	--	--	--
Other	271,000	397,822	--	397,822
Total expenditures	<u>2,906,290</u>	<u>3,152,978</u>	<u>3,578,460</u>	<u>(425,482)</u>
Excess (deficit) of revenues over expenditures	<u>(426,645)</u>	<u>(615,551)</u>	<u>(113,572)</u>	<u>501,979</u>
Other financing sources (uses):				
Proceeds from the sale of assets	--	--	--	--
Operating transfers in	8,500	8,500	9,385	885
Operating transfers out	(48,420)	(36,420)	(35,704)	716
Total other financing sources (uses)	<u>(39,920)</u>	<u>(27,920)</u>	<u>(26,319)</u>	<u>1,601</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing (uses)	(466,565)	(643,471)	(139,891)	<u>\$ 503,580</u>
Fund balance June 30, 2013	<u>466,565</u>	<u>643,471</u>	<u>692,242</u>	
Fund balance June 30, 2014	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 552,351</u>	

BURGIN INDEPENDENT BOARD OF EDUCATION

**Statement of Revenues, Expenditures
and Changes in Fund Balance
Budget and Actual - Special Revenue Fund**

For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Tuition and fees	\$ --	\$ --	\$ --	\$ --
Earnings on investments	--	--	--	--
Other local revenues	--	--	--	--
Intergovernmental - state	215,762	215,916	220,915	4,999
Intergovernmental - indirect federal	178,062	174,548	174,830	282
Intergovernmental - direct federal	--	--	--	--
Total revenues	<u>393,824</u>	<u>390,464</u>	<u>395,745</u>	<u>5,281</u>
Expenditures:				
Instruction	377,107	373,673	376,712	(3,039)
Support services:				
Student	--	--	--	--
Instructional staff	1,305	1,299	2,349	(1,050)
District administration	500	500	--	500
School administration	--	--	--	--
Business	--	--	--	--
Plant operation and maintenance	--	--	--	--
Student transportation	--	--	--	--
Community service	21,601	21,681	22,658	(977)
Other	--	--	--	--
Total expenditures	<u>400,513</u>	<u>397,153</u>	<u>401,719</u>	<u>(4,566)</u>
Excess (deficit) of revenues over expenditures	<u>(6,689)</u>	<u>(6,689)</u>	<u>(5,974)</u>	<u>--</u>
Other financing sources (uses):				
Operating transfers in	6,689	6,689	5,974	(715)
Operating transfers out	--	--	--	--
Total other financing sources (uses)	<u>6,689</u>	<u>6,689</u>	<u>5,974</u>	<u>(715)</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing (uses)	--	--	--	<u>\$ --</u>
Fund balance June 30, 2013	<u>--</u>	<u>--</u>	<u>--</u>	
Fund balance June 30, 2014	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	

Supplementary Information
Combining Statements - Nonmajor Funds

BURGIN INDEPENDENT BOARD OF EDUCATION

**Combining Balance Sheets -
Nonmajor Governmental Funds**

June 30, 2014

	<u>FSPK Fund</u>	<u>Debt Service Fund</u>	<u>Construction Fund</u>	<u>SEEK Capital Outlay Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 31,008	\$ --	\$ --	\$ 1,537	\$ 32,545
Total assets and resources	<u>\$ 31,008</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,537</u>	<u>\$ 32,545</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ --	\$ --	\$ --	\$ --	\$ --
Deferred revenue	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total liabilities	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Fund balances:					
Committed - other	--	--	--	--	--
Committed - future construction	--	--	--	--	--
Restricted - future construction	31,008	--	--	1,537	32,545
Unassigned	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total fund balances	<u>31,008</u>	<u>--</u>	<u>--</u>	<u>1,537</u>	<u>32,545</u>
Total liabilities and fund balances	<u>\$ 31,008</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,537</u>	<u>\$ 32,545</u>

BURGIN INDEPENDENT BOARD OF EDUCATION

**Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds**

For the Year Ended June 30, 2014

	<u>FSPK Fund</u>	<u>Debt Service Fund</u>	<u>Construction Fund</u>	<u>SEEK Capital Outlay Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:					
From local sources:					
Taxes:					
Property	\$ 247,008	\$ --	\$ --	\$ --	\$ 247,008
Intergovernmental - state	<u>64,346</u>	<u>28,790</u>	<u>--</u>	<u>42,037</u>	<u>135,173</u>
Total revenues	<u>311,354</u>	<u>28,790</u>	<u>--</u>	<u>42,037</u>	<u>382,181</u>
Expenditures:					
Facilities acquisition and construction	--	--	147,049	--	147,049
Debt service					
Principal	--	231,018	--	--	231,018
Interest	<u>--</u>	<u>148,348</u>	<u>--</u>	<u>--</u>	<u>148,348</u>
Total expenditures	<u>--</u>	<u>379,366</u>	<u>147,049</u>	<u>--</u>	<u>526,415</u>
Excess (deficit) of revenues over expenditures	<u>311,354</u>	<u>(350,576)</u>	<u>(147,049)</u>	<u>42,037</u>	<u>(144,234)</u>
Other financing sources (uses):					
Operating transfers in	--	350,576	--	--	350,576
Operating transfers out	<u>(280,346)</u>	<u>--</u>	<u>--</u>	<u>(40,500)</u>	<u>(320,846)</u>
Total other financing sources (uses)	<u>(280,346)</u>	<u>350,576</u>	<u>--</u>	<u>(40,500)</u>	<u>29,730</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing (uses)	<u>31,008</u>	<u>--</u>	<u>(147,049)</u>	<u>1,537</u>	<u>(114,504)</u>
Fund balance June 30, 2013	<u>--</u>	<u>--</u>	<u>147,049</u>	<u>--</u>	<u>147,049</u>
Fund balance June 30, 2014	<u>\$ 31,008</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,537</u>	<u>\$ 32,545</u>

**Statements of Receipts, Disbursements and Changes
in Fund Balances**

Burgin Independent School Activity Funds

BURGIN INDEPENDENT BOARD OF EDUCATION

**Statement of Receipts, Disbursements and Fund Balances
Burgin Independent School Activity Funds**

For the Year Ended June 30, 2014

<u>Accounts</u>	<u>Fund Balances June 30, 2013</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Fund Balances June 30, 2014</u>
Principal's fund	\$ 510	\$ 1,480	\$ 746	\$ 1,244
AP fees/testing	826	1,046	1,872	--
Outside chargeable	200	125	325	--
A.R.T.S. program	300	--	--	300
PTO donations	245	--	16	229
Cont recovery	2,434	642	453	2,623
PTO donations	40	--	--	40
Student coke	82	111	--	193
Faculty coke	41	225	50	216
Student snacks	371	1,342	1,115	598
Student pencil/pen	41	9	--	50
Master lock fund	73	80	151	2
Parking tags	421	220	--	641
School pictures	2,010	3,351	2,083	3,278
Flower fund	269	665	668	266
Enrichment fund	283	--	--	283
Guided reading	903	--	65	838
Donations	--	668	632	36
BFC grants	963	--	748	215
Burgin family	87	417	380	124
Frysc Backpack snacks	895	4,366	4,563	698
General athletic	1,288	23,318	19,677	4,929
BG conference	2,065	640	1,624	1,081
Concessions	5,289	9,308	6,569	8,028
HS boys basketball	522	5,194	5,395	321
HS girls basketball	2,308	2,500	3,897	911
MS boys basketball	258	--	240	18
MS girls basketball	54	800	772	82
HS baseball	702	2,792	2,877	617
Track team	865	3,282	3,887	260
Cross country	742	1,251	1,065	928
Softball	--	3,556	2,605	951
Fee accounts (sum)	9,893	28,654	27,392	11,155
MS cheerleading	2,146	358	2,073	431
HS cheerleading	296	4,085	3,918	463
MS baseball	282	500	175	607
Volleyball	--	1,988	1,988	--
Soccer team	334	1,077	1,192	219
Fishing team	--	625	589	36
Band	46	165	172	39
FCCLA/FHA club	293	5,241	4,131	1,403
Greenhouse	1,745	3,254	3,818	1,181

BURGIN INDEPENDENT BOARD OF EDUCATION

**Statement of Receipts, Disbursements and Fund Balances
Burgin Independent School Activity Funds, continued**

For the Year Ended June 30, 2014

<u>Accounts</u>	<u>Fund Balances June 30, 2013</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Fund Balances June 30, 2014</u>
Science club	9	880	665	224
Spanish club	16	662	371	307
Speech and drama club	726	--	--	726
Student council	18	--	--	18
MS comm changers club	69	248	256	61
Pep club	274	450	187	537
Art club	643	--	--	643
T.A.T.U. club	47	--	--	47
FFA	118	4,243	3,712	649
Good news club	1,067	1,104	1,090	1,081
National honor society	692	196	446	442
MS academic team	87	--	--	87
Elementary academic team	474	--	--	474
Gifted/talented	724	281	292	713
Music	--	578	307	271
Book drive	38	--	--	38
Library coffee shop	19	--	--	19
Book fair	695	5,086	3,410	2,371
Yearbook	1,715	5,473	4,543	2,645
Music fundraising	--	2,262	2,165	97
Multimedia Fundraising	68	--	--	68
Art fundraising	548	572	631	489
Family consumer	256	--	185	71
PE fundraising	780	--	344	436
Project graduation	870	--	870	--
Seniors 2014	1,921	1,121	3,042	--
Seniors 2015	373	2,716	1,522	1,567
Seniors 2016	673	1,794	536	1,931
Seniors 2017	248	37	--	285
Seniors 2018	457	161	367	251
Seniors 2019	--	506	--	506
Fieldtrip bus/general	--	3,673	3,673	--
Enrichment fieldtrip	921	--	--	921
HS miscellaneous fieldtrips	--	162	157	5
Math fieldtrips	--	1,299	1,299	--
8 th grade fieldtrip	481	3,999	4,480	--
MS miscellaneous fieldtrips	104	997	1,101	--
	<u>\$ 55,253</u>	<u>\$ 151,835</u>	<u>\$ 143,574</u>	<u>\$ 63,514</u>

**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***

**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Kentucky State Committee for
School District Audits
Burgin Independent Board of Education
Burgin, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the requirements prescribed by the Kentucky State Committee for School District Audits in the Independent Auditor's Contract, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Burgin Independent Board of Education, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated November 12, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board'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 Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Louisville, Kentucky
November 12, 2014

Management Letter Comments

Burgin Independent Board of Education
440 East Main Street
Burgin, Kentucky 40310

In planning and performing our audit of the basic financial statements of Burgin Independent Board of Education (the "Board") for the year ended June 30, 2014, we considered the Board's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiencies. This letter summarizes our comments and suggestions regarding those matters. We will review the status of these comments during our next audit engagement and have discussed many of these comments already with District personnel. We will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

14-1 Collections - Segregation of Duties

Statement of Condition: It was noted that on certain days when only one staff is working in the District office that the same individual receives, records, and deposits the daily receipts, resulting in a lack of segregation of duties.

Recommendation for Correction: To strengthen internal control it is advised that the District consider holding the receipts on days mentioned above until they can be reviewed and deposited by a second party. One suggestion would be to purchase a lockbox/safe to securely hold the receipts until the following day.

Management's Response: Management of the Burgin Independent School District will follow the Auditor's recommendation.

14-2 Record Keeping

Statement of Condition: Instances of lack of purchase orders for expenditures.

Recommendation for Correction: To strengthen internal control it is advised that the District follow the general guidelines for expenditures in the Redbook and include a purchase order with all expenditures. Also, the purchase order and invoice should be kept together in the District's office.

Management's Response: Management of the Burgin Independent School District will follow the Auditor's recommendation.

Others Matters Noted:

Follow-Up On Prior Year Recommendations

13.1 During the prior year audit of the food service fund, it was noted that the ending inventory on hand was not properly recorded on the balance sheet. It was recommended that the inventory on hand be adjusted at year-end.

Management's Response:

The prior year ending inventory on hand was adjusted to reflect the correct balance.

We have enjoyed working with the management and staff of the Burgin Independent Board of Education and look forward to a continuing mutually productive relationship. Please call us if you have any questions concerning this letter or if we can be of any other assistance.

Respectfully submitted,

Hendersonman Jesse & Company PLLC

Louisville, Kentucky
November 12, 2014

Statement of Certification

State Committee for School District Audits
Frankfort, Kentucky

The Burgin Independent School District certifies that all audit adjustments have been entered into MUNIS and that an Annual Financial Report and Balance Sheet, which are in agreement with the audit report, will be transferred to KDE in conjunction with the audit report.

Submitted, November 12, 2014

Martha Collier Superintendent

Phyllis Brown Finance Officer