

FLOYD COUNTY
SCHOOL DISTRICT

AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES

For the year ended June 30, 2014

Prepared by:

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INDEPENDENT AUDITOR'S REPORT

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows, and the respective budgetary comparison schedules for the General Fund and Special Revenue Fund 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 information as listed in the table of contents 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 District's basic financial statements. The additional supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2014, on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.

White & Associates, P.C.

Richmond, Kentucky
October 23, 2014

**FLOYD COUNTY SCHOOL DISTRICT-PRESTONSBURG, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED June 30, 2014**

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

FINANCIAL HIGHLIGHTS

- After prior year adjustments finished the year with a General Fund balance in excess of \$6 million.
- Provided \$200,000 to schools to assist with school trips and other needs.
- Provided 1% Cost-of-living increase to all fulltime staff.
- Took action to increase bonding potential by levying additional tax rate dedicated to construction and debt service.
- Started plans for the construction of a \$45 million consolidated high school.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

Refer to the table of contents to find the government-wide financial statements.

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.

Refer to the table of contents to find the basic governmental fund financial statements.

**FLOYD COUNTY SCHOOL DISTRICT-PRESTONSBURG, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED June 30, 2014**

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. To find the notes to the financial statements please refer to the table of contents.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$48,988,540 as of June 30, 2014.

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

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

Net Position for the period ending June 30, 2014

The following is a comparison of fiscal year 2014 data with fiscal year 2013 in regard to changes in fixed assets.

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**FLOYD COUNTY SCHOOL DISTRICT-PRESTONSBURG, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED June 30, 2014**

*The district implemented GASB 34 and recorded fixed assets and debt for the first time in FY 2003.

Net Position (in Millions)

	Governmental		Business-type		Total		Total Percent age Change 2013- 2014
	Activities		Activities		School District		
	2013	2014	2013	2014	2013	2014	
Assets:							
Current and Other Assets	9.54	8.99	1.49	1.78	11.03	10.77	-2%
Capital Assets	65.25	63.04	0.92	0.92	66.17	63.96	-3%
Total Assets	74.79	72.02	2.41	2.70	77.20	74.72	-3%
Loss for the difference in reacquisition and carrying value of refunding debt	-	1.25	-	-	-	1.25	
	-	1.25	-	-	-	1.25	
Liabilities:							
Current Liabilities	6.46	5.17	0.07	0.07	6.53	5.24	-20%
Noncurrent Liabilities	24.98	21.75		-	24.98	21.75	-13%
Total Liabilities	31.44	26.92	0.07	0.07	31.51	26.99	-14%
Invested in Capital Assets							
Net of Debt	40.08	40.89	0.92	0.92	41.01	41.81	2%
Restricted	1.27	2.48	0.12	0.10	1.38	2.58	87%
Unrestricted Net Position	2.00	2.98	1.30	1.62	3.30	4.59	39%
Total Net Position	43.35	46.35	2.34	2.64	45.69	48.99	7%

**FLOYD COUNTY SCHOOL DISTRICT-PRESTONSBURG, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED June 30, 2014**

Changes in Net Position
(in millions)

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2013-2014
	2013	2014	2013	2014	2013	2014	
Revenues:							
Charges for services	\$ -	\$ 0.11	\$ 0.54	\$ 0.50	\$ 0.54	\$ 0.61	14%
Operating grants and contributions	10.70	11.77	4.72	5.07	15.42	16.84	9%
Capital grants and contributions	-	1.52			-	1.52	
General revenues	46.76	47.11	0.01	0.01	46.77	47.12	1%
Total revenue	57.46	60.52	5.26	5.57	62.73	66.09	5%
Expenses:							
Instruction	\$ 35.66	\$ 33.68			\$ 35.66	\$ 33.68	-6%
Student	1.38	1.33			1.38	1.33	-3%
Instructional staff	3.04	3.35			3.04	3.35	10%
District administration	0.95	1.09			0.95	1.09	15%
School administration	4.35	4.20			4.35	4.20	-3%
Business	0.85	1.01			0.85	1.01	19%
Plant operation & maintenance	6.66	6.77			6.66	6.77	2%
Student transportation	4.62	4.23			4.62	4.23	-8%
Food Service Operations	-		4.81	4.85	4.81	4.85	1%
Other instructional	-				-	-	
Community services operations	0.90	0.94	0.12	0.15	1.02	1.09	7%
Loss on retirement of assets						-	
Land Improvements		0.02			-	0.02	0%
Amortization		0.17				0.17	
Depreciation		3.01		0.06	-	3.07	
Interest on long-term debt		0.63			-	0.63	
Extraordinary Item						-	
Transfers				0.22			
Total Expenses	\$ 58.39	\$ 60.44	\$ 4.93	\$ 5.27	\$ 63.32	\$ 65.71	4%
Change in net position	\$ (0.93)	\$ 0.08	\$ 0.34	\$ 0.30	\$ (0.60)	\$ 0.39	165%

**FLOYD COUNTY SCHOOL DISTRICT-PRESTONSBURG, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED June 30, 2014**

The following is an analysis of capital asset activity during the year:

Capital Assets at Year-End FY2014
(Net of depreciation)

	Governmental Activities		Business Type Activities		Totals	
	2013	2014	2013	2014	2013	2014
Land	2,574,368	2,574,369			2,574,368	2,574,369
Land and Improvements	1,776,015	1,604,121			1,776,015	1,604,121
Buildings & Improvements	54,718,714	53,295,582	789,202	757,182	55,507,916	54,052,763
Technology Equipment	634,403	738,087	710	(48)	635,113	738,039
Vehicles	1,671,812	1,257,475			1,671,812	1,257,475
General Equipment	706,774	607,059	133,817	165,601	840,591	772,660
Infrastructure	3,170,024	2,853,943				
Construction In Progress		104,983	-		-	104,983

The following is an analysis of debt activity during the year:

Outstanding Debt at Year-End
(in Millions)

	Government Activities	
	2013	2014
Capital Lease Obligations	\$ 1.79	\$ 1.56
General Obligation Bonds	<u>24.94</u>	<u>21.84</u>
Total Obligations	\$ <u>26.73</u>	\$ <u>23.40</u>

Comments on Budget Comparisons

- General fund budget compared to actual revenue varied from line item to line item with the ending actual variance being more than the final budget. The primary reason for the variance is an unexpected reduction in taxes collected resulting in a budgeted revenue shortfall of \$757,961. It is believed that the revenue will be made up through the collection of delinquent tax bills in FY 2015.
- General fund budget to actual expenditures varied in all functions with the major variance being in those that have expenditures for salaries. Various vacancies and expenses not reaching allocated budgetary levels (plus the contingency amount of \$2,036,972), resulted in a difference in actual expenses and final budget of a favorable \$3,500,903.

The following pages contain a table of General Fund Revenues by source and expenses by function. In addition to the table we are providing three charts that present a summary of General Fund revenues, expenses, and expenditures budget comparisons for the fiscal year ended June 30, 2014.

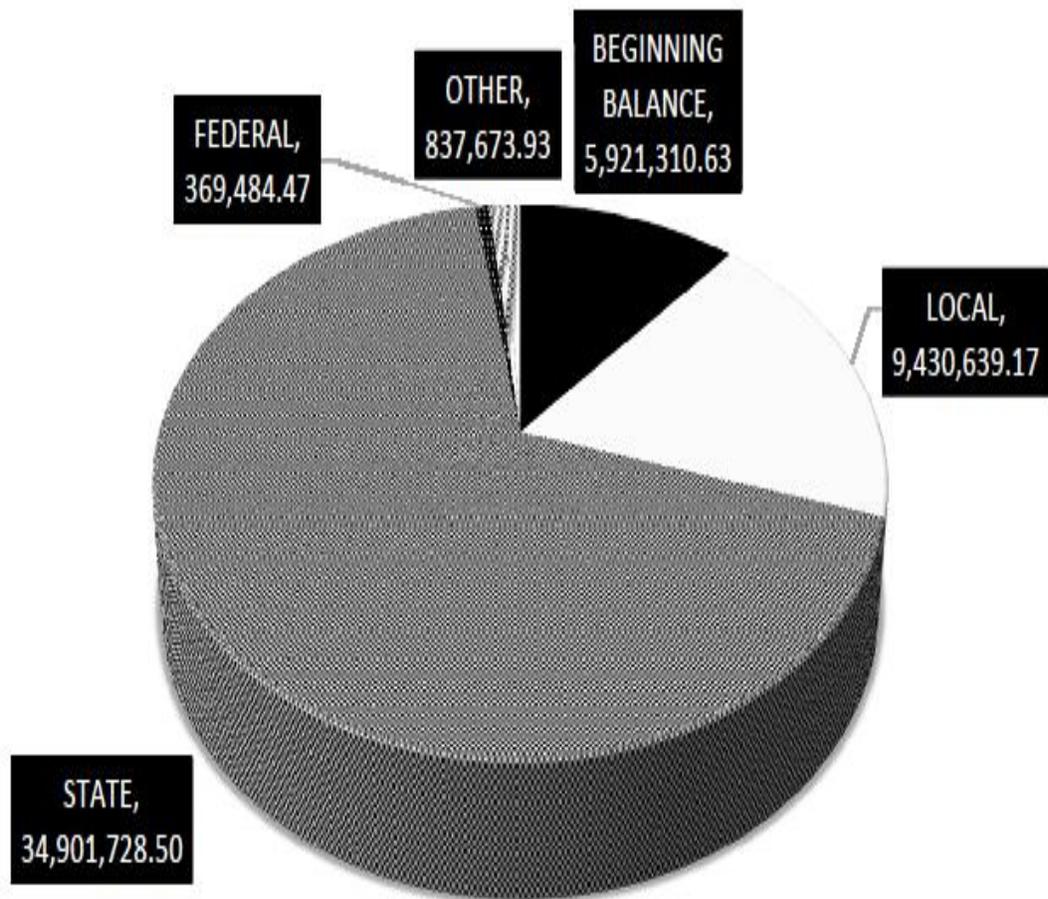
**FLOYD COUNTY SCHOOL DISTRICT-PRESTONSBURG, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED June 30, 2014**

Table 1. General Fund Revenues and Expenses for FY 2014

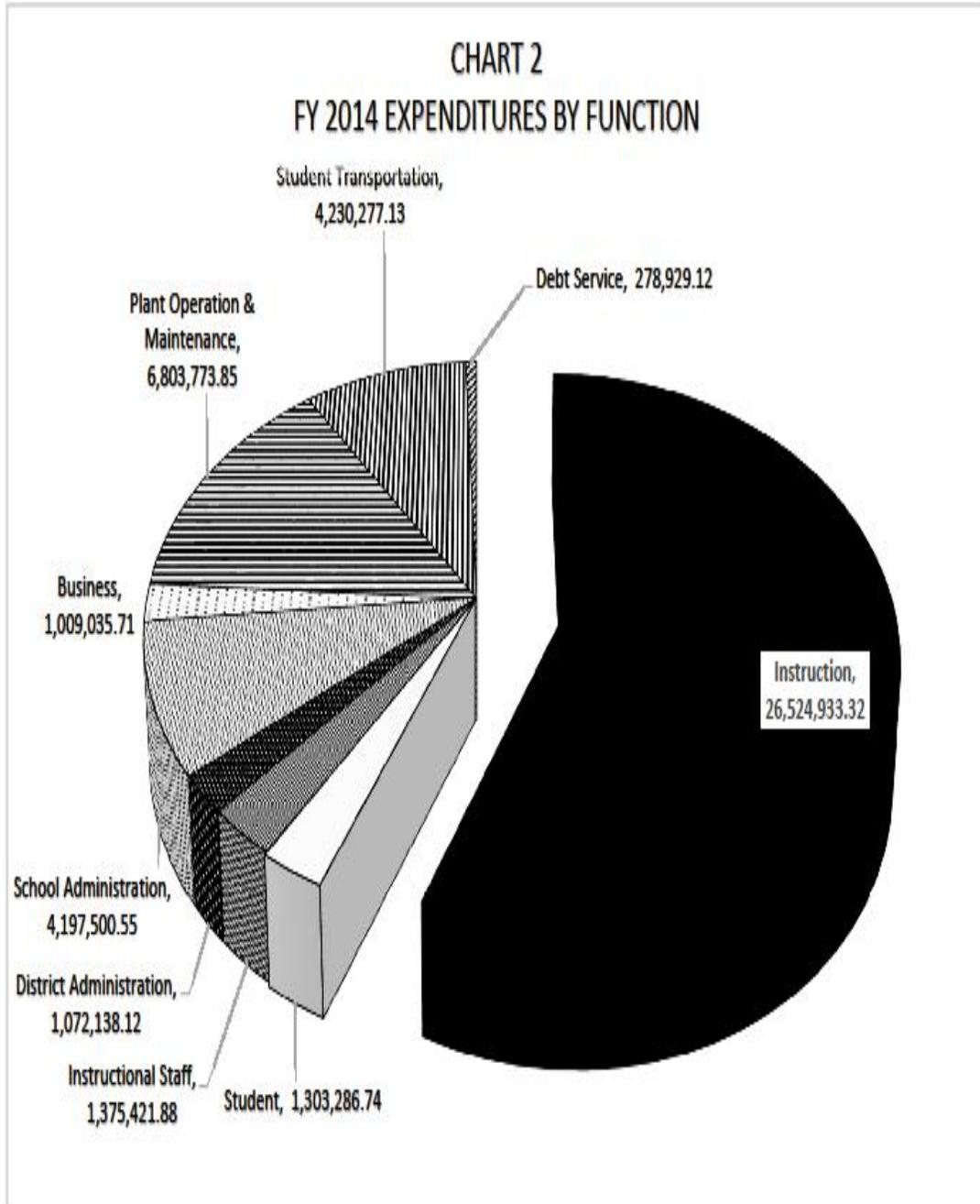
	Original Budget	Final Budget	Difference Original Vs Final	Actual Transactions	Difference Final Budget Vs Actual Favorable (Unfavorable)
REVENUES					
Beginning Balance	5,914,072.08	5,825,228.00	(88,844.08)	5,825,228.63	0.63
From Local Sources	10,473,600	10,188,600	(285,000.00)	9,430,639	(757,961)
State Sources	35,238,416.00	35,294,809.00	56,393.00	34,901,728.50	(393,080.50)
Federal Sources	154,000.00	300,000.00	146,000.00	369,484.47	69,484.47
Other Sources	554,200.00	813,321.71	259,121.71	926,460.93	112,352.22
Total Revenues	46,420,216.00	46,596,730.71	176,514.71	45,628,313.07	(211,243.81)
EXPENDITURES					
Instruction	27,444,368.02	27,792,261.85	347,893.83	26,524,933.32	1,267,328.53
Student Instructional Staff	1,402,164.12	1,391,170.72	(10,993.40)	1,303,286.74	87,883.98
District Administration	1,435,007.29	1,439,027.29	4,020.00	1,375,421.88	63,605.41
School Administration	1,801,481.84	1,747,698.84	(53,783.00)	1,072,138.12	675,560.72
Business Plant Operation & Maintenance	947,073.07	979,420.30	32,347.23	1,009,035.71	(29,615.41)
Student Transportation	7,401,657.90	7,472,492.77	70,834.87	6,803,773.85	668,718.92
Debt Service	4,910,161.52	4,909,430.52	(731.00)	4,230,277.13	679,153.39
Fund Transfers	278,960.20	278,960.20	-	278,929.12	31.08
Contingency	88,000.00	88,000.00	-	88,000.00	0
Total expenditures	52,334,288.08	52,421,958.71	381,958.53	46,883,296.42	3,501,690.05

**FLOYD COUNTY SCHOOL DISTRICT-PRESTONSBURG, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED June 30, 2014**

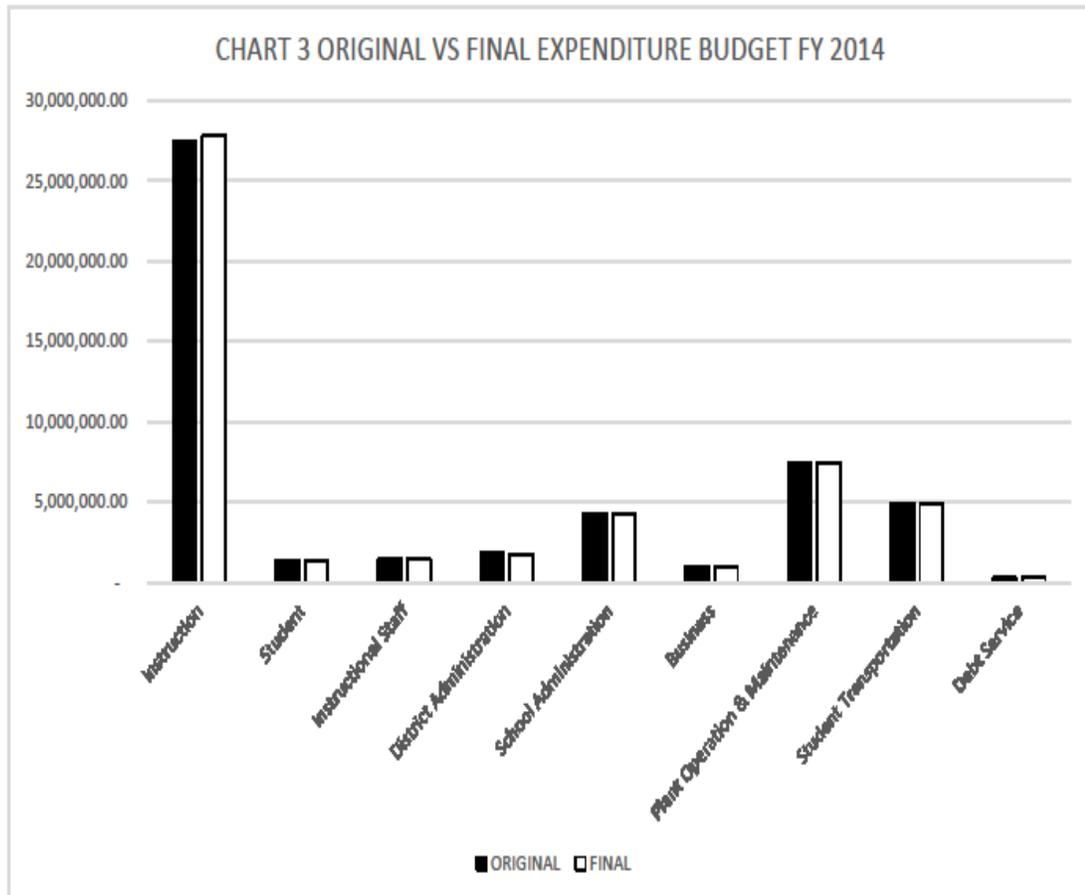
**CHART 1
FY 2014 REVENUES BY SOURCE**



**FLOYD COUNTY SCHOOL DISTRICT-PRESTONSBURG, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED June 30, 2014**



**FLOYD COUNTY SCHOOL DISTRICT-PRESTONSBURG, KENTUCKY
 MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
 YEAR ENDED June 30, 2014**



**FLOYD COUNTY SCHOOL DISTRICT-PRESTONSBURG, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED June 30, 2014**

REVENUE	Fund 1	Fund 2	Fund 310	Fund 320	Fund 360	Fund 400	Fund 51	Fund 52
Local Revenue Sources	9,430,639	61,114	2,467	2,091,581	371		385,944	116,738
State Revenue Sources	34,901,729	1,593,709	554,916	966,088		1,867,743	406,861	34,804
Federal Revenue Sources	369,484	8,309,327					4,628,899	
Other	156,112							
Transfers	770,349	88,787			755,381	1,995,540		
TOTALS	45,628,313	10,052,938	557,383	3,057,669	755,752	3,863,283	5,421,703	151,542
EXPENDITURES	Fund 1	Fund 2	Fund 310	Fund 320	Fund 360	Fund 400	Fund 51	Fund 52
Instruction	26,524,933	7,059,042						
Student Support Services	1,303,287	28,790						
Instructional Staff Support Services	1,375,422	1,978,951						
District Admin Support	1,072,138	20,000						
School Admin Support	4,197,501							
Business Support Services	1,009,036	807						
Plant Operation & Management	6,803,774							
Student Transportation	4,230,277	36						
Food Service Operations							4,845,759	
Community Services		943,843						150,827
Debt Service	278,929					3,863,283		
Site Improvement		21,469						
Building Renovations					104,983			
Depreciation							60,213	
Transfers	88,787		1,158,735	2,147,102			215,433	
TOTALS	46,884,083	10,052,938	1,158,735	2,147,102	104,983	3,863,283	5,121,405	150,827
Excess / (Deficit)	(1,255,770)	-	(601,352)	910,567	650,769	-	300,298	715

BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district's overall budget. By law the budget must have a minimum 2.0% contingency in the Tentative Final Working budget. While it is not mandatory in the Final Working budget, the Kentucky Department of Education places district's with less than a 2% reserve on a financial watch list. The district maintained a budgeted contingency of \$2,036,972 or 4.34% based on the Kentucky Department of Education's formula

**FLOYD COUNTY SCHOOL DISTRICT-PRESTONSBURG, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED June 30, 2014**

for calculating contingency. The beginning fund balance for beginning the fiscal year 2014 was \$5,921,310.

Questions regarding this report should be directed to the Superintendent of Schools Dr. Henry Webb, or the Director of Finance and Board Treasurer Matthew C. Wireman, CSFO at (606) 886-2354 or by mail at 106 North Front Avenue, Prestonsburg, KY 41653.

Floyd County School District
Statement of Net Position
June 30, 2014

	Primary Government		
	Governmental Activities	Business- type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 7,036,112	\$ 1,678,271	\$ 8,714,383
Receivables (net)	1,950,453	27,880	1,978,333
Inventories		74,611	74,611
Prepaid assets	117		117
Capital assets:			
Land, improvements, and construction in progress	2,679,352		2,679,352
Other capital assets, net of depreciation	60,356,267	922,734	61,279,001
Total capital assets	63,035,619	922,734	63,958,353
Total assets	72,022,301	2,703,495	74,725,797
DEFERRED OUTFLOWS OF RESOURCES			
Loss for the difference in reacquisition and carrying value of refunding debt	1,253,428		1,253,428
LIABILITIES			
Accounts payable and accrued expenses	371,894	66,558	438,452
Accrued interest payable	193,230		193,230
Accrued salaries and benefit payable	774		774
Workers compensation payable	1,031,276		1,031,276
Unearned revenue	645,691		645,691
Long-term liabilities:			
Due within 1 year:			
Bond obligations	2,690,000		2,690,000
Capital lease obligations	239,519		239,519
Total due within 1 year	2,929,519	-	2,929,519
Due in more than 1 year:			
Bond obligations	19,150,000		19,150,000
Capital lease obligations	1,319,382		1,319,382
KSBIT payable	1,055,904		1,055,904
Sick leave	226,456		226,456
Total due in more than 1 year	21,751,742	-	21,751,742
Total liabilities	26,924,127	66,558	26,990,684
NET POSITION			
Net Investment in capital assets	40,890,146	922,734	41,812,880
Restricted for:			
Expendable restricted capital projects	1,806,010		1,806,010
Expendable restricted purchase obligations	676,102		676,102
Expendable restricted day care operations		98,813	98,813
Expendable restricted food service		1,615,391	1,615,391
Unrestricted	2,979,344		2,979,344
Total net position	\$ 46,351,602	\$ 2,636,938	\$ 48,988,540

See the accompanying notes to the financial statements.

Floyd County School District
Statement of Activities
Year Ended June 30, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT:							
Governmental activities:							
Instruction	\$ 33,677,044	\$ 114,578	\$ 6,946,571	\$ -	\$ (26,615,895)		\$ (26,615,895)
Support Services							
Student	1,332,077		28,361		(1,303,716)		(1,303,716)
Instructional Staff	3,354,373		1,949,442		(1,404,930)		(1,404,930)
District Administration	1,092,138		19,702		(1,072,436)		(1,072,436)
School Administration	4,197,501				(4,197,501)		(4,197,501)
Business	1,009,843		795		(1,009,048)		(1,009,048)
Plant Operation & Maintenance	6,770,692			1,499,535	(5,271,157)		(5,271,157)
Student Transportation	4,230,313		35		(4,230,278)		(4,230,278)
Community Services Operations	943,843		929,769		(14,074)		(14,074)
Land Improvements	21,469		28,361	21,469	28,361		28,361
Loss on retirement of assets	663				(663)		(663)
Amortization	169,217				(169,217)		(169,217)
Depreciation	3,014,857				(3,014,857)		(3,014,857)
Interest on general long-term debt	627,047			1,867,743	1,240,696		1,240,696
Total governmental activities	<u>60,441,076</u>	<u>114,578</u>	<u>9,903,036</u>	<u>3,388,747</u>	<u>(47,034,714)</u>		<u>(47,034,714)</u>
Business-type activities:							
Food service operations	4,845,759	380,220	5,035,760			\$ 570,220	570,220
Community operation	150,827	116,738	34,804			715	715
Depreciation	60,213					(60,213)	(60,213)
Total business-type activities	<u>5,056,799</u>	<u>496,958</u>	<u>5,070,563</u>	<u>-</u>	<u>-</u>	<u>510,722</u>	<u>510,722</u>
Total primary government	<u>\$ 65,497,875</u>	<u>\$ 611,536</u>	<u>\$ 14,973,600</u>	<u>\$ 3,388,747</u>	<u>(47,034,714)</u>	<u>510,722</u>	<u>(46,523,992)</u>
General revenues:							
Taxes:							
Property taxes					9,931,289		9,931,289
Motor vehicle taxes					1,494,981		1,494,981
State and formula grants					35,271,213		35,271,213
Unrestricted investment earnings					45,324	5,724	51,048
Sale of equipment					156,112		156,112
Transfers					215,433	(215,433)	-
Total general revenues and transfers					<u>47,114,353</u>	<u>(209,710)</u>	<u>46,904,643</u>
Change in net position					79,639	301,013	380,651
Net position - beginning					43,352,547	2,343,911	45,696,459
Prior period adjustment					2,919,416	(7,986)	2,911,430
Restated net position - beginning					<u>46,271,964</u>	<u>2,335,925</u>	<u>48,607,889</u>
Net position - ending					<u>\$ 46,351,602</u>	<u>\$ 2,636,938</u>	<u>\$ 48,988,540</u>

See the accompanying notes to the financial statements.

Floyd County School District
Balance Sheet
Governmental Funds
June 30, 2014

	Governmental Funds					
	General	Special Revenue	FSPK	Debt Service	Other Governmental Funds	Total
ASSETS						
Cash and cash equivalents	\$ 6,334,027	\$ -	\$ 1,062,130	\$ -	\$ 743,881	\$ 8,140,037
Receivables, net						
Taxes-current	14,191	1,780,634				1,794,825
Taxes-delinquent	46,926					46,926
Accounts	59					59
Intergovernmental	107,190	1,454				108,643
Prepaid	117					117
Total assets	6,502,509	1,782,087	1,062,130	-	743,881	10,090,607
LIABILITIES						
Accounts payable	339,422	32,472				371,894
Cash shortage		1,103,925				1,103,925
Accrued salaries and benefit payable	774					774
Unearned revenue		645,691				645,691
Total liabilities	340,196	1,782,087	-	-	-	2,122,284
FUND BALANCE						
Restricted			1,062,130		743,881	1,806,010
Assigned	162,791	513,310				676,102
Unassigned	5,999,521	(513,310)				5,486,210
Total fund balance	\$ 6,162,312	\$ -	\$ 1,062,130	\$ -	\$ 743,881	\$ 7,968,323

See the accompanying notes to the financial statements.

Floyd County School District
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position
June 30, 2014

Total fund balance per fund financial statements	\$	7,968,323
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
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.		63,035,619
Capitalized the bond issue costs of the sale/refunding bonds and amortized over shorter of the life of the refunded or issued bonds.		1,253,428
Certain liabilities are not reported in the fund financial statement because they are not due and payable, but they are presented in the statement of net position as follows:		
Accrued interest payable		(193,230)
Bonds payable		(21,840,000)
Capital lease payable		(1,558,901)
Workers compensation payable		(1,031,276)
KSBIT liability		(1,055,904)
Noncurrent sick leave payable		(226,456)
		(226,456)
Net position of governmental activities	\$	46,351,602

See the accompanying notes to the financial statements.

Floyd County School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2014

	<u>General</u>	<u>Special Revenue</u>	<u>FSPK Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
From Local Sources						
Taxes						
Property	\$ 7,346,059	\$ -	\$ 2,090,962	\$ -	\$ -	\$ 9,437,021
Delinquent	494,268					494,268
Motor vehicle	1,494,981					1,494,981
Earnings on investments	41,105	762	619		2,838	45,324
Student Activities		6,325				6,325
Other local revenue	54,226	54,027				108,253
Intergovernmental - state	34,901,729	1,593,709	966,088	1,867,743	554,916	39,884,185
Intergovernmental - federal	369,484	8,309,327				8,678,812
Total revenues	<u>44,701,852</u>	<u>9,964,151</u>	<u>3,057,669</u>	<u>1,867,743</u>	<u>557,754</u>	<u>60,149,170</u>
EXPENDITURES						
Instruction	26,524,933	7,059,042				33,583,975
Support Services						
Student	1,303,287	28,790				1,332,077
Instructional Staff	1,375,422	1,978,951				3,354,373
District Administration	1,072,138	20,000				1,092,138
School Administration	4,197,501					4,197,501
Business	1,009,036	807				1,009,843
Plant Operation & Maintenance	6,803,774					6,803,774
Student Transportation	4,230,277	36				4,230,313
Community Services Operations		943,843				943,843
Debt Service	278,929			3,863,283		4,142,212
Land Improvements		21,469				21,469
Building acquisition & construction					104,983	104,983
Total expenditures	<u>46,795,296</u>	<u>10,052,938</u>	<u>-</u>	<u>3,863,283</u>	<u>104,983</u>	<u>60,816,501</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,093,444)	(88,787)	3,057,669	(1,995,540)	452,771	(667,331)
OTHER FINANCING SOURCES (USES)						
Sale of equipment, buildings and land & improvements	156,112					156,112
Operating transfers in	770,349	88,787		1,995,540	755,381	3,610,057
Operating transfers (out)	(88,787)		(2,147,102)		(1,158,735)	(3,394,624)
Total other financing sources and (uses)	<u>837,674</u>	<u>88,787</u>	<u>(2,147,102)</u>	<u>1,995,540</u>	<u>(403,354)</u>	<u>371,545</u>
NET CHANGE IN FUND BALANCE	(1,255,770)	-	910,567	-	49,417	(295,786)
FUND BALANCE-BEGINNING	5,921,311	-	151,562	-	694,464	6,767,337
PRIOR PERIOD ADJUSTMENT	1,496,772					1,496,772
RESTATED FUND BALANCE-BEGINNING	<u>7,418,083</u>	<u>-</u>	<u>151,562</u>	<u>-</u>	<u>694,464</u>	<u>8,264,109</u>
FUND BALANCE-ENDING	<u>\$ 6,162,312</u>	<u>\$ -</u>	<u>\$ 1,062,130</u>	<u>\$ -</u>	<u>\$ 743,881</u>	<u>\$ 7,968,323</u>

See the accompanying notes to the financial statements.

Floyd County School District
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
 Governmental Funds to the Statement of Activities**
 Year ended June 30, 2014

Net change in total fund balances per fund financial statements	\$	(295,786)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.</p>		(2,216,489)
<p>The difference in the issue amount of the refunding of bond proceeds and the amount for payment to the escrow account to pay the refunded bonds is amortized over the life of the shorter of the refunding or issued bond.</p>		(169,217)
<p>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.</p>		3,328,733
<p>Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.</p>		
<p>Accrued interest payable</p>		186,432
<p>Workers compensation payable</p>		(1,031,276)
<p>Noncurrent sick leave payable</p>		277,241
		277,241
Change in net position of governmental activities	\$	79,639
		79,639

See the accompanying notes to the financial statements.

Floyd County School District
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
From Local Sources				
Taxes				
Property	\$ 8,276,600	\$ 8,151,600	\$ 7,346,059	\$ (805,541)
Delinquent	450,000	450,000	494,268	44,268
Motor vehicle	1,440,000	1,440,000	1,494,981	54,981
Earnings on investments	95,000	95,000	41,105	(53,895)
Food service	2,000	2,000	-	(2,000)
Other local revenue	210,000	50,000	54,226	4,226
Intergovernmental - state	35,238,416	35,294,809	34,901,729	(393,081)
Intergovernmental - federal	154,000	300,000	369,484	69,484
Total revenues	<u>45,866,016</u>	<u>45,783,409</u>	<u>44,701,852</u>	<u>(1,081,557)</u>
EXPENDITURES				
Instruction	27,444,368	27,792,262	26,524,933	1,267,329
Support Services				
Student	1,402,164	1,391,171	1,303,287	87,884
Instructional Staff	1,435,007	1,439,027	1,375,422	63,605
District Administration	1,801,482	1,747,699	1,072,138	675,561
School Administration	4,294,154	4,286,524	4,197,501	89,023
Business	947,073	979,420	1,009,036	(29,615)
Plant Operation & Maintenance	7,401,658	7,472,493	6,803,774	668,719
Student Transportation	4,910,162	4,909,431	4,230,277	679,153
Debt Service	278,960	278,960	278,929	31
Total expenditures	<u>49,915,028</u>	<u>50,296,986</u>	<u>46,795,296</u>	<u>3,501,690</u>
EXCESS (DEFICIENCY) IN REVENUES OVER EXPENDITURES	(4,049,012)	(4,513,577)	(2,093,444)	2,420,133
OTHER FINANCING SOURCES (USES)				
Sale of buildings			156,112	156,112
Sale of equipment		84,122		(84,122)
Operating transfers in	554,200	729,200	770,349	41,149
Operating transfers out	(88,000)	(88,000)	(88,787)	(787)
Total other financing sources and (uses)	<u>466,200</u>	<u>725,322</u>	<u>837,674</u>	<u>112,352</u>
NET CHANGE IN FUND BALANCE	(3,582,812)	(3,788,256)	(1,255,770)	2,532,485
FUND BALANCE BEGINNING	5,914,072	5,825,228	5,921,311	96,083
PRIOR PERIOD ADJUSTMENT	-	-	1,496,772	1,496,772
RESTATED FUND BALANCE-BEGINNING	<u>5,914,072</u>	<u>5,825,228</u>	<u>7,418,083</u>	<u>1,592,855</u>
FUND BALANCE-ENDING	<u>\$ 2,331,260</u>	<u>\$ 2,036,972</u>	<u>\$ 6,162,312</u>	<u>\$ 4,125,340</u>

See the accompanying notes to the financial statements.

FloydCounty School District
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Special Revenue Fund
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				
Earnings on investments	\$ -	\$ -	\$ 762	\$ 762
Student activities			6,325	6,325
Other local revenue		38,052	54,027	15,975
Intergovernmental - state	1,327,932	1,639,595	1,593,709	(45,885)
Intergovernmental - federal	78,980	7,524,650	8,309,327	784,677
Total revenues	<u>1,406,912</u>	<u>9,202,297</u>	<u>9,964,151</u>	<u>761,853</u>
EXPENDITURES				
Instruction	397,247	6,460,149	7,059,042	(598,893)
Support Services				
Student	-	36,184	28,790	7,394
Instructional Staff	269,281	1,595,748	1,978,951	(383,203)
District Administration	20,000	20,000	20,000	-
Business	-	20,338	807	19,531
Plant Operations and Maintenance	46,802	46,802	36	46,766
Community Services Operations	724,367	1,073,862	943,843	130,019
Land Improvements	-	-	21,469	(21,469)
Total expenditures	<u>1,457,697</u>	<u>9,253,082</u>	<u>10,052,938</u>	<u>(799,855)</u>
EXCESS (DEFICIENCY) IN REVENUES OVER EXPENDITURES	(50,785)	(50,785)	(88,787)	(38,002)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	88,000	88,000	88,787	787
Operating transfers out	(37,215)	(37,215)	-	37,215
Total other financing sources and (uses)	<u>50,785</u>	<u>50,785</u>	<u>88,787</u>	<u>38,002</u>
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE-BEGINNING	-	-	-	-
FUND BALANCE-ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See the accompanying notes to the financial statements.

Floyd County School District
Statement of Net Position
Proprietary Funds
June 30, 2014

	Enterprise Funds		
	School Food Services	Child Care Services	Total
ASSETS			
Cash and cash equivalents	\$ 1,579,130	\$ 99,140	\$ 1,678,271
Inventories	74,611		74,611
Accounts receivable, net	27,880		27,880
Capital assets:			
Other capital assets, net of depreciation	922,734		922,734
Total assets	2,604,355	99,140	2,703,495
LIABILITIES			
Accounts payable	66,230	328	66,558
Total current/liabilities	66,230	328	66,558
NET POSITION			
Net Investment in capital assets	922,734	-	922,734
Restricted for:			
Expendable restricted for child care		98,813	98,813
Expendable restricted for food service	1,615,391		1,615,391
Total net position	\$ 2,538,125	\$ 98,813	\$ 2,636,938

See the accompanying notes to the financial statements.

Floyd County School District
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2014

	Enterprise Funds		
	School Food Services	Other Proprietary Fund	Total
OPERATING REVENUES			
Lunchroom sales	\$ 380,220	\$ -	\$ 380,220
Community services		116,738	116,738
Total operating revenues	<u>380,220</u>	<u>116,738</u>	<u>496,958</u>
OPERATING EXPENSES			
Food service operations			
Salaries and benefits	1,907,285		1,907,285
Operational	2,938,474		2,938,474
Day care operations			
Salaries and benefits		135,021	135,021
Operational		15,807	15,807
Depreciation	60,213		60,213
Total operating expenses	<u>4,905,972</u>	<u>150,827</u>	<u>5,056,799</u>
Operating income (loss)	<u>(4,525,752)</u>	<u>(34,089)</u>	<u>(4,559,841)</u>
NONOPERATING REVENUES (EXPENSES)			
Federal grants	4,628,899		4,628,899
State grants	406,861	34,804	441,665
Transfers in (out)	(215,433)		(215,433)
Earnings from investments	5,724		5,724
Total nonoperating revenues	<u>4,826,050</u>	<u>34,804</u>	<u>4,860,854</u>
CHANGE IN NET POSITION	300,298	715	301,013
NET POSITION-BEGINNING	2,245,813	98,098	2,343,911
PRIOR PERIOD ADJUSTMENT	<u>(7,986)</u>		<u>(7,986)</u>
RESTATED NET POSITION-BEGINNING	<u>2,237,827</u>	<u>98,098</u>	<u>2,335,925</u>
NET POSITION-ENDING	<u>\$ 2,538,125</u>	<u>\$ 98,813</u>	<u>\$ 2,636,938</u>

See the accompanying notes to the financial statements.

Floyd County School District
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2014

	Enterprise Funds		
	School Food Services	Child Care Services	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 380,220	\$ 116,738	\$ 496,958
Payments to suppliers	(2,681,027)	(12,973)	(2,694,000)
Payments to employees	(1,907,285)	(135,021)	(2,042,305)
Net cash provided (used) by operating activities	<u>(4,208,092)</u>	<u>(31,255)</u>	<u>(4,239,347)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Adjustment from prior period	(7,986)		(7,986)
Operating grants and contributions	5,035,760	34,804	5,070,563
Net cash provided (used) by noncapital financing activities	<u>5,027,773</u>	<u>34,804</u>	<u>5,062,577</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(59,217)		(59,217)
Transfers	(215,433)		(215,433)
Net cash provided (used) by capital and related financing activities	<u>(274,650)</u>	<u>-</u>	<u>(274,650)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest	5,724	-	5,724
Net cash provided (used) by investing activities	<u>5,724</u>	<u>-</u>	<u>5,724</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	550,755	3,549	554,304
CASH AND CASH EQUIVALENTS-BEGINNING	1,028,375	95,592	1,123,967
CASH AND CASH EQUIVALENTS-ENDING	<u>\$ 1,579,130</u>	<u>\$ 99,140</u>	<u>\$ 1,678,271</u>
Reconciliation of operating income (loss) to net cash used by operating activities:			
Operating income (loss)	\$ (4,525,752)	\$ (34,089)	\$ (4,559,841)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:			
Depreciation	60,213		60,213
Changes in assets and liabilities:			
Receivables	274,269	2,506	276,775
Inventories	(12,798)		(12,798)
Accrued liabilities	(4,024)	328	(3,696)
Net cash used by operating activities	<u>\$ (4,208,092)</u>	<u>\$ (31,255)</u>	<u>\$ (4,239,347)</u>

NONCASH NONCAPITAL FINANCING ACTIVITIES

During the year, the district received \$303,628 of food commodities from the U.S. Department of Agriculture.

During the year, the district recognized revenues and expenses for on-behalf payments relating to fringe benefits in the amount of \$366,392 for food services and \$34,804 for day care services provided by state government.

See the accompanying notes to the financial statements.

Floyd County School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

		Fiduciary Fund Total
		<hr/>
ASSETS		
Cash and cash equivalents	\$	378,451
Accounts receivable		3,476
		<hr/>
TOTAL ASSETS		381,927
		<hr/>
LIABILITIES		
Accounts payable		19,417
Fund balance		362,510
		<hr/>
TOTAL LIABILITIES		381,927
		<hr/>
NET POSITION HELD IN TRUST	\$	-
		<hr/> <hr/>

See the accompanying notes to the financial statements.

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

The District, for financial purposes, includes all of the funds relevant to the operation of the Floyd County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the District 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:

Floyd County Board of Education Finance Corporation

The Board authorized establishment of the Floyd County Board of Education Finance Corporation a non-stock, non-profit corporation pursuant to Section 162.385 of the School Bond Act and Chapter 273 and Section 58.180 of the Kentucky Revised Statutes (the “Corporation”) to act as an agency of the District for financing the costs of school building facilities. The Board of Directors of the Corporation shall be the same persons who are at any time the members of the Board of Education of the Floyd County Board of Education.

Basis of Presentation

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

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

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

The District has the following funds:

I. Governmental Fund Types

(A) General Fund

The General Fund is the main operating fund of the District. 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 always a major fund of the District.

(B) Special Revenue (Grant) Fund

The Special Revenue (Grant) Fund accounts for proceeds of specific revenue sources (other than expendable trust funds or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. KDE requires this fund to be a major fund.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(C) Capital Project Funds

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).

SEEK Capital Outlay Fund

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 as identified in the District's facility plan.

Building (FSPK) Fund

The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy that is 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. This is a major fund of the District.

Construction Fund

The Construction Fund accounts for proceeds from sale of bonds and other revenues to be used for authorized construction and/or remodeling.

(D) Debt Service Fund

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

II. Proprietary Funds (Enterprise Funds)

(A) Food Service Fund

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

(B) Day Care Fund

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The Day Care Fund is used to account for child care activities.

The District applies all GASB pronouncements to proprietary funds.

III. Fiduciary Fund Types

(A) Agency Funds

The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. The schools funds are accounted for in accordance with “Accounting Procedures for Kentucky School Activity Funds.”

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis 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 giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

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

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

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement the 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 unearned revenue.

NOTES TO THE FINANCIAL STATEMENTS (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 Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. The property tax rates assessed (including exonerations) for the year ended June 30, 2014, to finance the General Fund operations were \$.579 per \$100 valuation of real property, \$.579 per \$100 valuation for business personal property and \$.554 per \$100 valuation for motor vehicles.

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 government funds. These assets are reported in the government activities column of the government-wide financial statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of 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 assets 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>Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Interfund Balances

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

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, a certified and classified employee will receive from the district an amount equal to 30% of the value of accumulated sick leave.

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

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

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

Budgetary Process

The District prepares its budgets on the modified accrual basis of accounting, which is the same basis as used to prepare the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

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

The Kentucky Department of Education does not require the Capital Project Funds and Debt Service Funds to prepare budgets.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Inventories

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

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

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2008 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and expenditure/expense is reported in the year in which services are consumed.

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

Fund Balances

Fund balance is divided into five categories as defined by GASB 54 as follows:

Nonspendable:	Permanently nonspendable by decree of the donor, such as an endowment, or funds that are not in a spendable form, such as prepaid expenses or inventory on hand.
Restricted	Legally restricted under legislation, bond authority, or grantor contract.
Committed	Commitments of future funds for specific purposes passed by the Board.
Assigned	Funds that are intended by management to be used for a specific purpose, including encumbrances.
Unassigned	Funds available for any purpose.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The Board has adopted a GASB 54 spending policy which states that the spending order of funds is to first use restricted funds, followed by committed, assigned, and unassigned fund funds.

Net Position

The Statement of Net Position presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as Net Position. Net Position are reported in three categories: 1) net investment in capital assets – consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of the assets; 2) restricted net position – resulting from constraints placed on net position by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation adopted by the School District; 3) unrestricted net position – those assets that do not meet the definition of restricted net position or net investment in capital assets. It is the District's policy to first apply restricted net position and then unrestricted net position when an expense is incurred for which both restricted and unrestricted net position are available.

Operating and Non-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.

Non-operating revenues are not generated directly from the primary activity of the proprietary funds. For the School District those revenues come in the form of grants (federal and state), donated commodities, and earnings from investments.

Contributions of Capital

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

Interfund Activity

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE B – ESTIMATES

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

NOTE C – CASH AND CASH EQUIVALENTS

The District’s cash and cash equivalents were interest bearing demand accounts at a local bank. Due to the liquidity nature of these accounts the carrying value is the fair market value. Federal Depository Insurance and pledged securities covers all account balances.

	<u>Bank Balance</u>	
<u>Community Trust Bank</u>		<u>Demand</u>
FDIC	\$	250,000
Securities pledged to district		<u>13,900,361</u>
Bank balance	\$	<u><u>14,150,361</u></u>
		<u>Book Balance</u>
		<u>Cash and equivalents</u>
Governmental Activities	\$	7,036,112
Business-type Activities		1,678,271
Agency funds		<u>378,451</u>
Total carrying amount	\$	<u><u>9,092,834</u></u>

There is also a \$10,000 certificate of deposit held by Citizens National Bank that is covered by FDIC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE D – CAPITAL ASSETS

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

<u>Governmental Activities</u>	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2014</u>
Land	\$ 2,574,369	\$ -	\$ -	\$ 2,574,369
Land improvements	1,927,458	-	-	1,927,458
Buildings	86,004,219	-	-	86,004,219
Technology equipment	8,611,071	660,966	68,743	9,203,294
Vehicles	7,767,473	9,170	-	7,776,643
General equipment	3,088,362	23,910	-	3,112,272
Infrastructure	6,789,261	-	-	6,789,261
Construction in progress	-	104,983	-	104,983
Total at historical cost	<u>\$ 116,762,214</u>	<u>\$ 799,029</u>	<u>\$ 68,743</u>	<u>\$ 117,492,500</u>
Less: Accumulated depreciation				
Land improvements	\$ 151,443	\$ 171,894	\$ -	\$ 323,337
Buildings	31,285,506	1,423,132	-	32,708,638
Technology equipment	7,976,668	556,618	68,080	8,465,207
Vehicles	6,095,661	423,507	-	6,519,168
General equipment	2,381,588	123,624	-	2,505,212
Infrastructure	3,619,237	316,082	-	3,935,319
Total accumulated depreciation	<u>\$ 51,510,104</u>	<u>\$ 3,014,857</u>	<u>\$ 68,080</u>	<u>\$ 54,456,881</u>
Governmental Activities				
Capital Assets-net	<u>\$ 65,252,110</u>	<u>\$ (2,215,828)</u>	<u>\$ 663</u>	<u>\$ 63,035,619</u>
<u>Business-Type Activities</u>	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2014</u>
Buildings	\$ 1,592,932	\$ -	\$ -	\$ 1,592,931.85
Technology equipment	46,225	-	3,110	43,115
General equipment	1,538,674	59,217	-	1,597,891
Total at historical cost	<u>\$ 3,177,831</u>	<u>\$ 59,217</u>	<u>\$ 3,110</u>	<u>\$ 3,233,938</u>
Less: Accumulated depreciation				
Vehicles	803,729	32,021	-	835,750
Technology equipment	45,514	759	3,110	43,163
General equipment	1,404,857	27,433	-	1,432,290
Total accumulated depreciation	<u>\$ 2,254,101</u>	<u>\$ 60,213</u>	<u>\$ 3,110</u>	<u>\$ 2,311,204</u>
Business-Type Activities				
Capital Assets-net	<u>\$ 923,730</u>	<u>\$ (996)</u>	<u>\$ -</u>	<u>\$ 922,734</u>

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE E – BONDED DEBT OBLIGATIONS

The amount shown in the accompanying financial statements as bonded debt obligations represent the District’s future obligations to make payments relating to the bonds issued by the Floyd County School District Finance Corporation aggregating \$21,840,000 and \$2,690,000 is the portion due within one year.

The District, through the General Fund, Building (FSPK) Fund, and the SEEK Capital Outlay Fund is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Floyd County School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding. The proceeds from certain refunding issues have been placed in escrow accounts to be used to service the related debt.

The original amount of outstanding issues, the issue dates, interest rates, and outstanding balances, at June 30, 2014 are summarized below:

<u>Bond Issue</u>	<u>Original Amount</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>2013 Outstanding Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>2014 Outstanding Balance</u>
2002R	\$ 3,150,000	3/1/2015	1.45% -4.10%	\$ 445,000	\$ -	\$ 390,000	\$ 55,000
2003R	2,715,000	10/1/2013	1.45 -3.75%	275,000		275,000	-
2004	1,690,000	5/1/2024	2.15 - 4.90%	80,000		80,000	-
2004R	4,400,000	5/1/2015	2.0 - 3.5%	845,000		415,000	430,000
2004B	2,485,000	6/1/2025	2.55 - 4.4%	355,000		110,000	245,000
2005	3,610,000	4/1/2026	3.25 - 4.375%	345,000		65,000	280,000
2005R A	3,710,000	5/1/2016	2.5 - 4.0%	1,190,000		380,000	810,000
2005R B	3,075,000	4/1/2017	3.125 - 4.0%	1,270,000		295,000	975,000
2006	10,540,000	3/1/2024	3.85 - 4.125%	7,840,000		465,000	7,375,000
2008	2,115,000	4/1/2028	2.8 - 3.75%	1,830,000		65,000	1,765,000
2010R	5,320,000	4/1/2022	2.0 - 3.0%	4,315,000		455,000	3,860,000
2012R	2,870,000	12/1/2024	1.35 -2.625%	2,830,000		45,000	2,785,000
2013R	\$ 3,315,000	10/1/2025	1.0 - 2.0%	3,315,000		55,000	3,260,000
Totals				\$ 24,935,000	\$ -	\$ 3,095,000	\$ 21,840,000

The District has entered into “participation agreements” with the Kentucky School Facility Construction Commission. The Kentucky Legislature, for the purpose of assisting local school districts in meeting school construction needs, created the Commission. The table following sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

<u>YEAR</u>	<u>LOCAL</u>		<u>KSFCC</u>		<u>PRINCIPAL TOTAL</u>	<u>INTEREST TOTAL</u>
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>		
2015	\$ 1,438,452	\$ 333,596	\$ 1,251,548	\$ 340,188	\$ 2,690,000	\$ 673,784
2016	1,291,609	283,912	1,008,391	301,160	2,300,000	585,073
2017	1,055,515	242,248	924,485	269,402	1,980,000	511,650
2018	902,427	213,915	842,573	240,235	1,745,000	454,150
2019	910,524	192,558	869,476	213,332	1,780,000	405,890
2020-2024	4,555,362	595,298	3,779,638	641,058	8,335,000	1,236,357
2025-2028	1,684,034	72,786	1,325,966	94,282	3,010,000	167,069
	<u>\$ 11,837,923</u>	<u>\$ 1,934,314</u>	<u>\$ 10,002,077</u>	<u>\$ 2,099,658</u>	<u>\$ 21,840,000</u>	<u>\$ 4,033,972</u>

NOTE F – CHANGE IN ACCOUNTING POLICY

The District adopted GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities*. This statement dramatically changed the presentation of net position. Deferred inflows and deferred outflows are now presented on the statement of net position. The District recorded a deferred outflow of resources for the difference in reacquisition and carrying value of refunding debt. Refer to Note R-Prior Period Adjustment to see how the change in accounting policy affects net position.

NOTE G– RETIREMENT PLANS

Kentucky Teachers’ Retirement System

Plan Description – The Floyd County School District contributes to the Teachers’ Retirement System of Kentucky (KTRS), a cost-sharing, multiple employer defined benefit pension plan. KTRS administers retirement and disability annuities and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by Kentucky Department of Education (KDE).

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

Funding Policy – Contribution rates are established by KRS. Members are required to contribute 11.355% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries for members before July 1, 2008 and 14.105% of salaries for members after July 1, 2008. The federal program for any salaries paid by that program pays the matching contribution of 14.605%.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Medical Insurance Plan

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

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

Funding policy –In order to fund the post-retirement healthcare benefit, four and a half percent (4.5%) of the gross annual payroll of members before July 1, 2008 is contributed. Two and one quarter percent (2.25%) is paid by member contributions and three quarters percent (.75%) from state appropriation and one and a half percent (1.5%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

The Floyd County School System's total payroll for the year was \$35,600,869. The payroll for employees covered under KTRS was \$26,403,081. For the year ended June 30, 2014, the Commonwealth contributed \$2,926,179 to KTRS for the benefit of our participating employees. The School District's contributions to KTRS for the year ending June 30, 2014 were \$617,817, which represents those employees covered by federal programs.

The District's required contributions (both withholding and match) for pension obligations to KTRS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$3,956,691, \$4,431,494, and \$4,653,069 respectively.

County Employees Retirement System

Employees who work an average of 100 hours per month participate in the County Employees Retirement System of Kentucky (CERS), a cost sharing, multiple-employer public employee retirement system created by and operating under Kentucky Law.

The County Employees Retirement System covers substantially all regular non-certified full-time employees of the school District. The plan provides for retirement, disability and death benefits. CERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained in writing from the County Employee Retirement System, 1260 Louisville Road, Perimeter Park West, and Frankfort, Kentucky, 40601.

For participating employees who established an account prior to July 1, 2008, they contribute 5% of the creditable compensation. For employees hired after July 1, 2008, they contribute 6% of the creditable compensation. Employer contribution rates are intended to fund the normal cost on a current basis plus

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

one percent (1%) of un-funded past service costs per annum plus interest at the actuarial assumed rate. The Board of Trustees of the Kentucky Retirement Systems determines such contribution rates each biennium. The current District contribution rate for employees is 18.89%. The District contributed \$1,608,654 of the employee's compensation during the fiscal year ended June 30, 2014.

The District's required contributions (both withholding and match) for pension obligations to CERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$2,057,899, \$2,124,642, and \$2,193,401 respectively.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, will require that unfunded portions of future pension benefit obligations shall be recorded as a liability of governments. This pronouncement will be mandatory for fiscal periods beginning after June 15, 2015. Although the data is not available from the Kentucky Teachers Retirement System or the County Employees Retirement System at this time, we believe that this implementation will have a material effect on future financial statements.

NOTE H – COMMITMENTS

The District currently has committed to spend \$45,740,381 for a new high school of which, \$104,983 has already been expended.

NOTE I - CONTINGENCIES

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

NOTE J - LITIGATION

The Floyd County School District does not have any material pending litigation.

NOTE K – INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, illegal acts etc. Each of these risk areas is covered through the purchase of commercial insurance.

NOTE L – RISK MANAGEMENT

The District is exposed to various risks of loss related to illegal acts, torts, theft/damage/destruction of assets, errors and omissions, injuries to employees, and natural disasters. To obtain insurance for workers' compensation, unemployment, errors and omission, and general liability coverage, the District

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

purchased commercial insurance policies. The District participates in a self insurance plan for worker’s compensation.

NOTE M – DEFICIT FUND AND OPERATING BALANCES

The following fund had an operating deficit at the end of the fiscal year causing a reduction in balance:

<u>Fund</u>	<u>Reduction in Fund Balance / Net Position</u>
General Fund	\$ (1,255,770)
Capital Outlay	\$ (601,352)

NOTE N - COBRA

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

NOTE O – TRANSFER OF FUNDS

The following transfers were made during the year:

<u>From</u>	<u>To</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	Special Revenue Fund	KETS offer	\$ 88,787
Capital Outlay Fund	General Fund	Operating expenditures	554,916
FSPK Fund	Debt Service Fund	Debt payments	1,995,540
Capital Outlay Fund	Construction Fund	Construction	603,819
FSPK Fund	Construction Fund	Construction	151,562
Food Service	General Fund	Indirect costs	\$ 215,433

NOTE P – ON-BEHALF PAYMENTS

The financial statements include payments made by the State of Kentucky on – behalf of the Floyd County School District for, debt service teacher’s retirement, health insurance, life insurance, administrative fees, technology and state operated vocational schools where applicable. The amounts were recorded, but not budgeted, within the General and School Food Services Funds. The amounts recorded for both revenues and expenditures (expenses) are \$8,496,326 for the General Fund and \$366,392 for the School Food Service Fund, \$34,804 for the Day Care Fund and \$1,867,744 for the Debt Service Fund.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE Q – RESTRICTED FUND BALANCES

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
Construction	\$ 741,414	Future Construction
Capital Outlay	2,467	SFCC Requirements
FSPK	1,062,130	SFCC Requirements
Day Care	98,813	Day Care Operations
Food Service	\$ 1,615,931	Food Service Operations

NOTE R – CAPITAL LEASE PAYABLE

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

<u>Bond Issue</u>	<u>Original Amount</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>2013 Outstanding Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>2014 Outstanding Balance</u>
2009	\$ 3,150,000	3/1/2023	2.00%	\$ 1,103,943	\$ -	\$ 121,007	\$ 982,936
2013	\$ 1,153,207	3/1/2019	2.0 - 3.9%	688,691		112,726	575,965
				<u>\$ 1,792,634</u>	<u>\$ -</u>	<u>\$ 233,733</u>	<u>\$ 1,558,901</u>

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2015	\$ 239,519	\$ 39,762	\$ 279,281
2016	224,908	33,690	258,598
2017	230,695	27,632	258,327
2018	214,787	21,161	235,948
2019	221,356	15,065	236,421
2020-2023	427,636	20,787	448,423
	<u>\$ 1,558,901</u>	<u>\$ 158,097</u>	<u>\$ 1,716,998</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE S – PRIOR PERIOD ADJUSTMENT

Due to the following reasons beginning net position was understated by \$2,919,416:

- 1) Defeasance costs of \$1,422,644 were not recorded.
- 2) Judgments payable were accrued in the amount of \$21,300 but were not payable (This also caused the General Fund beginning balance to be understated).
- 3) The amount payable for workers compensation claims was overstated by \$1,253,466 (This also caused the General Fund beginning balance to be understated).
- 4) The amount payable for accumulated sick leave was overstated by \$222,006 (This also caused the General Fund beginning balance to be understated).

The following is an analysis of the effect of the prior period adjustment on beginning net position and beginning fund balance:

Net Position July 1, 2013		\$	43,352,547
	#1		1,422,644
	#2		21,300
	#3		1,253,466
	#4		<u>222,006</u>
Restated Net Position July 1, 2013		\$	<u>46,271,964</u>
General Fund Balance July 1, 2013		\$	5,921,311
	#2		21,300
	#3		1,253,466
	#4		<u>222,006</u>
Restated General Fund Balance July 1, 2013		\$	<u>7,418,083</u>

NOTE T– SUBSEQUENT EVENTS

The District has evaluated subsequent events through October 23, 2014, the date the financial statements were available to be issued.

Floyd County School District
Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2014

	Other Governmental Funds		
	Capital Outlay	Construction Fund	Total
Assets			
Cash and Cash Equivalents	\$ 2,467	\$ 741,414	\$ 743,881
Total Assets	2,467	741,414	743,881
Fund Balances			
Restricted	2,467	741,414	743,881
Total Fund Balances	\$ 2,467	\$ 741,414	\$ 743,881

See the accompanying notes to the financial statements.

Floyd County School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
For the year ended June 30, 2014

	Other Governmental Funds		
	Capital Outlay	Construction Fund	Total
Revenues			
Earnings on Investments	\$ 2,467	\$ 371	\$ 2,838
Intergovernmental - State	554,916		554,916
Total Revenues	557,383	371	557,754
Expenditures			
Building Acquisitions and Construction		104,983	104,983
Total Expenditures	-	104,983	104,983
Excess (Deficit) of Revenues Over Expenditures	557,383	(104,612)	452,771
Other Financing Sources (Uses)			
Transfers Out	(1,158,735)		(1,158,735)
Transfers In		755,381	755,381
Total Other Financing Sources (Uses)	(1,158,735)	755,381	(403,354)
Net Change in Fund Balances	(601,352)	650,769	49,417
Fund Balance Beginning	603,819	90,645	694,464
Fund Balance Ending	\$ 2,467	\$ 741,414	\$ 743,881

See the accompanying notes to the financial statements.

Floyd County School District
Combining Balance Sheet - School Activity Funds
As of June 30, 2014

	<u>ALLEN CENTRAL HIGH</u>	<u>BETSY LANE HIGH</u>	<u>PRESTONSBURG HIGH</u>	<u>SOUTH FLOYD HIGH</u>	<u>ADAMS MIDDLE</u>	<u>ALLEN CENTRAL MIDDLE</u>	<u>SOUTH FLOYD MIDDLE</u>	<u>ALLEN ELEMENTARY</u>	<u>BETSY LANE ELEMENTARY</u>	<u>JAMES A DUFF ELEMENTARY</u>
ASSETS										
Cash and cash equivalents	\$ 18,503	\$ 47,388	45,497	\$ 57,698	\$ 32,650	\$ 13,456	\$ -	\$ 12,319	\$ 36,285	\$ 9,164
Accounts receivable	-	200	1,025	-	-	-	-	-	-	-
Total Assets	<u>18,503</u>	<u>47,588</u>	<u>46,522</u>	<u>57,698</u>	<u>32,650</u>	<u>13,456</u>	<u>-</u>	<u>12,319</u>	<u>36,285</u>	<u>9,164</u>
LIABILITIES										
Accounts payable	214	13,979	410	295	250	-	-	997	350	
FUND BALANCE										
School Activities	<u>18,289</u>	<u>33,608</u>	<u>46,112</u>	<u>57,403</u>	<u>32,400</u>	<u>13,456</u>	<u>-</u>	<u>11,322</u>	<u>35,935</u>	<u>9,164</u>
Total Liabilities & Fund Balance	<u>18,503</u>	<u>47,588</u>	<u>46,522</u>	<u>57,698</u>	<u>32,650</u>	<u>13,456</u>	<u>-</u>	<u>12,319</u>	<u>36,285</u>	<u>9,164</u>
NET POSITIONS HELD IN TRUST	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See the accompanying notes to the financial statements.

Floyd County School District
Combining Balance Sheet - School Activity Funds
As of June 30, 2014

	<u>MAY VALLEY ELEMENTARY</u>	<u>McDOWELL ELEMENTARY</u>	<u>PRESTONSBURG ELEMENTARY</u>	<u>STUMBO ELEMENTARY</u>	<u>WD OSBORNE ELEMENTARY</u>	<u>RENAISSANCE LEARNING</u>	<u>AGENCY FUNDS</u>	<u>FIDUCIARY FUND TOTAL</u>
ASSETS								
Cash and cash equivalents	\$ 22,574	\$ 7,742	\$ 34,275	\$ 14,836	\$ 19,484	\$ 983	\$ 5,598	\$ 378,451
Accounts receivable	-	-	-	-	-	71	2,180	3,476
Total Assets	<u>22,574</u>	<u>7,742</u>	<u>34,275</u>	<u>14,836</u>	<u>19,484</u>	<u>1,053</u>	<u>7,778</u>	<u>381,927</u>
LIABILITIES								
Accounts payable	-			2,921	-	-	-	19,417
FUND BALANCE								
School Activities	<u>22,574</u>	<u>7,742</u>	<u>34,275</u>	<u>11,915</u>	<u>19,484</u>	<u>1,053</u>	<u>7,778</u>	<u>362,510</u>
Total Liabilities & Fund Balance	<u>22,574</u>	<u>7,742</u>	<u>34,275</u>	<u>14,836</u>	<u>19,484</u>	<u>1,053</u>	<u>7,778</u>	<u>381,927</u>
NET POSITIONS HELD IN TRUST	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See the accompanying notes to the financial statements.

Floyd County School District
Combining Statement of Revenues, Expenses and Changes in Fund Balance
- School Activity Funds
For the period ended June 30, 2014

	<u>ALLEN CENTRAL HIGH</u>	<u>BETSY LANE HIGH</u>	<u>PRESTONSBURG HIGH</u>	<u>SOUTH FLOYD HIGH</u>	<u>ADAMS MIDDLE</u>	<u>ALLEN CENTRAL MIDDLE</u>	<u>SOUTH FLOYD MIDDLE</u>	<u>ALLEN ELEMENTARY</u>	<u>BETSY LANE ELEMENTARY</u>	<u>JAMES A DUFF ELEMENTARY</u>
REVENUES										
Student revenues	\$ 233,101	\$ 225,939	\$ 202,618	\$ 169,762	\$ 117,182	\$ 80,030	\$ -	\$ 84,029	\$ 147,859	\$ 67,453
Total Revenues	<u>233,101</u>	<u>225,939</u>	<u>202,618</u>	<u>169,762</u>	<u>117,182</u>	<u>80,030</u>	<u>-</u>	<u>84,029</u>	<u>147,859</u>	<u>67,453</u>
EXPENDITURES										
Student activities	241,074	218,769	190,051	148,134	109,520	79,151	8,807	79,768	155,213	64,481
Total Expenditures	<u>241,074</u>	<u>218,769</u>	<u>190,051</u>	<u>148,134</u>	<u>109,520</u>	<u>79,151</u>	<u>8,807</u>	<u>79,768</u>	<u>155,213</u>	<u>64,481</u>
Excess (Deficit) of Revenues Over Expenditures	(7,973)	7,170	12,567	21,629	7,662	879	(8,807)	4,261	(7,354)	2,971
FUND BALANCE July 1, 2013	<u>26,262</u>	<u>26,438</u>	<u>33,545</u>	<u>35,774</u>	<u>24,737</u>	<u>12,577</u>	<u>8,807</u>	<u>7,061</u>	<u>43,289</u>	<u>6,193</u>
FUND BALANCE June 30, 2014	<u>\$ 18,289</u>	<u>\$ 33,608</u>	<u>\$ 46,112</u>	<u>\$ 57,403</u>	<u>\$ 32,400</u>	<u>\$ 13,456</u>	<u>\$ -</u>	<u>\$ 11,322</u>	<u>\$ 35,935</u>	<u>\$ 9,164</u>

See the accompanying notes to the financial statements.

Floyd County School District
Combining Statement of Revenues, Expenses and Changes in Fund Balance
- School Activity Funds
For the period ended June 30, 2014

	<u>MAY VALLEY ELEMENTARY</u>	<u>McDOWELL ELEMENTARY</u>	<u>PRESTONSBURG ELEMENTARY</u>	<u>STUMBO ELEMENTARY</u>	<u>WD OSBORNE ELEMENTARY</u>	<u>RENAISSANCE LEARNING</u>	<u>AGENCY FUNDS</u>	<u>FIDUCIARY FUND TOTAL</u>
REVENUES								
Student revenues	\$ 128,829	\$ 49,933	\$ 151,702	\$ 69,868	60,915	\$ 532	\$ 46,448	\$ 1,836,200
Total Revenues	<u>128,829</u>	<u>49,933</u>	<u>151,702</u>	<u>69,868</u>	<u>60,915</u>	<u>532</u>	<u>46,448</u>	<u>1,836,200</u>
EXPENDITURES								
Student activities	135,642	55,477	136,966	76,501	60,666	667	43,544	1,804,431
Total Expenditures	<u>135,642</u>	<u>55,477</u>	<u>136,966</u>	<u>76,501</u>	<u>60,666</u>	<u>667</u>	<u>43,544</u>	<u>1,804,431</u>
Excess (Deficit) of Revenues Over Expenditures	(6,813)	(5,544)	14,736	(6,633)	249	(134)	2,904	31,769
FUND BALANCE July 1, 2013	<u>29,387</u>	<u>13,286</u>	<u>19,539</u>	<u>18,548</u>	<u>19,236</u>	<u>1,188</u>	<u>4,874</u>	<u>330,741</u>
FUND BALANCE June 30, 2014	<u>\$ 22,574</u>	<u>\$ 7,742</u>	<u>\$ 34,275</u>	<u>\$ 11,915</u>	<u>\$ 19,484</u>	<u>\$ 1,053</u>	<u>\$ 7,778</u>	<u>\$ 362,510</u>

See the accompanying notes to the financial statements.

FLOYD COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES , EXPENSES, AND CHANGES IN FUND BALANCE -
ALLEN CENTRAL HIGH SCHOOL
 FOR THE YEAR ENDED JUNE 30, 2014

	FUND BALANCE JULY 1, 2013	REVENUES	EXPENDITURES	TRANSFERS	FUND BALANCE JUNE 30, 2014
GENERAL FUND	\$ -	\$ 3,155	\$ 3,992	\$ 837	\$ -
SCHOOL PICTURES	211	1,756	974	(879)	114
ENERGY TEAM	168	-	-	-	168
HISTORY CLUB	8	20	40	12	-
STUDENT VENDING	141	16,605	15,089	(716)	940
LIBRARY FUND	58	155	140	-	73
KYA	124	3,055	3,290	111	(0)
TAG	-	2,470	1,778	-	692
TEACHER VENDING	2,886	4,417	6,713	525	1,115
STLP	158	-	249	91	-
ANNUAL	113	3,107	3,267	47	-
CBI	-	709	700	-	9
REBEL AGAINST DRUGS	1	2,000	2,001	-	-
CHILDRENS INC	37	3,079	3,372	300	45
MATH CLUB	32	43	-	-	75
GUIDANCE	232	575	496	-	311
SENIOR ACCOUNT	6	656	590	-	72
GOOD SAMS CLUB	198	-	-	-	198
INTEREST	46	143	-	(100)	89
ACADEMICS	394	3,500	3,503	-	391
ART	30	-	-	-	30
ATHLETICS	425	6,042	3,773	(1,216)	1,478
BOYS BASKETBALL	1,913	5,907	7,958	2,527	2,388
REBEL HOOPS	966	7,634	6,849	-	1,751
GIRLS BASKETBALL	3,007	6,595	5,797	(2,246)	1,559
LADIES ROUNDBALL	-	5,590	5,082	438	945
BOYS CONCESSION	485	3,129	2,024	(1,463)	127
GIRLS CONCESSION	136	3,129	2,023	(1,092)	150
FOOTBALL	-	8,296	7,233	(1,063)	-
VOLLEYBALL	653	23,233	23,705	188	368
EASTERN VOLLEYBALL	2,718	32,545	33,695	483	2,052
VOLLEYBLAL KSA	-	150	-	-	150
SOFTBALL	-	1,112	2,264	1,152	-
SOFTBALL BOOSTERS	-	5,716	6,901	1,185	-
BASEBALL	0	867	2,040	1,173	0
EASTERN HOME RUN CL	-	8,574	7,629	(945)	-
JUNIORS	1,689	12,163	12,218	-	1,634
JROTC	85	2,161	2,508	262	0
REBEL ROUSERS	772	8,681	9,534	82	1
CHEERLEADING	-	10,849	11,757	907	-
BETA CLUB	5,825	25,596	31,079	(300)	42
BAND BOOSTERS	1,823	9,380	9,442	(525)	1,235
GOLF	32	-	255	224	-
ARCHERY	893	308	1,115	-	86
Totals	\$ 26,262	\$ 233,101	\$ 241,074	\$ (0)	\$ 18,289

See the accompanying notes to the financial statements.

FLOYD COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES , EXPENSES, AND CHANGES IN FUND BALANCE -
BETSY LANE HIGH SCHOOL
 FOR THE YEAR ENDED JUNE 30, 2014

	FUND BALANCE JULY 1, 2013	REVENUES	EXPENDITURES	TRANSFERS	FUND BALANCE JUNE 30, 2014
GENERAL FUND	\$ 520	\$ 2,673	\$ 3,674	\$ 1,076	\$ 595
KYA	313	-	-	-	313
STUDENT VENDING	2,178	11,477	18,407	6,000	1,248
SCIENCE OLYMPIAD	675	6,149	5,412	-	1,413
JOURNALISM	102	37	135	-	4
TEACHER VENDING	616	1,354	3,054	1,200	116
TAG	7	750	750	-	7
STAFF FLOWER FUND	28	223	155	-	96
BLHS CHAMPIONS	97	-	-	-	97
ATHLETIC	2,409	47,787	36,729	(7,109)	6,358
SPANISH CLUB	21	885	830	-	76
LAURA BUSH FOUNDATION	6	-	-	(6)	-
DOLLAR GENERAL GRANT	35	-	-	(35)	-
ART	127	134	319	59	-
MUSIC AND BAND	521	2,717	1,866	(230)	1,143
SPECIAL ED	158	555	579	-	134
PRIDE CLUB	-	1,167	583	-	584
ACADEMIC	98	352	279	-	171
BETA CLUB	49	325	270	-	104
FORENSICS	188	-	-	-	188
LIBRARY	44	1,806	1,839	14	26
STUDENT COUNCIL	14	-	-	-	14
SENIOR CLASS	6	13,104	12,882	-	227
JUNIOR CLASS	2,877	24,958	26,313	125	1,647
NEW HORIZON YSC	809	5,921	6,336	(179)	214
ARCHERY	2,242	4,119	5,245	-	1,115
COUNSELOR	113	252	292	85	158
YEARBOOK	-	2,916	2,997	81	-
FOOTBALL	3,851	11,511	14,340	7	1,030
SCHOOL PICTURES	-	2,744	1,668	(1,076)	-
GIRLSBBALLBOOSTERS	683	14,334	12,301	(39)	2,678
VOLLEYBALL	1,598	22,430	21,010	(42)	2,976
GIRLS CHEERLEADERS	2,078	6,092	7,296	-	874
NATIONAL HONOR SOCIETY	50	1,320	933	-	437
BOYS BASKETBALL HOOPSTERS	649	26,488	22,263	69	4,943
GIRLS SOFTBALL	2,493	4,105	2,519	-	4,079
BOYS BASEBALL	733	6,699	6,984	-	449
TRACK TEAM	2	-	-	-	2
GOLF TEAM	48	555	511	-	92
Totals	\$ 26,438	\$ 225,939	\$ 218,769	\$ 0	\$ 33,608

See the accompanying notes to the financial statements.

FLOYD COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES , EXPENSES, AND CHANGES IN FUND BALANCE -
PRESTONSBURG HIGH SCHOOL
 FOR THE YEAR ENDED JUNE 30, 2014

	FUND BALANCE JULY 1, 2013	REVENUES	EXPENDITURES	TRANSFERS	FUND BALANCE JUNE 30, 2014
GENERAL FUND	\$ 2,743	\$ 4,753	\$ 7,202	\$ (27)	\$ 267
SCHOOL PICTURES	1,395	2,273	1,379	(1,395)	894
ATHLETIC	13,403	113,131	108,857	(121)	17,556
VOLLEYBALL BOOSTERS	-	988	1,094	107	2
LIBRARY COFFEE SHOP	-	1,561	1,850	1,409	1,120
LOST & DAMAGED LIB BOOK	-	93	14	-	79
STLP CLUB	-	413	357	-	56
JUNIOR CLASS	3,028	15,664	12,502	-	6,191
PAW PRINTS MAGAZINE	-	52	-	-	52
SENIOR CLASS	339	1,200	1,137	-	402
ALLIED HEALTH	-	3,500	2,235	-	1,265
YEARBOOKS	-	2,781	2,808	27	-
KYA	2	4,296	4,110	-	189
BAND AND VOCAL	1,459	3,733	-	197	5,389
ACADEMIC TEAM	395	-	70	-	325
CONCESSION	3,783	5,313	4,708	(197)	4,191
FACULTY VENDING	801	5,671	6,054	-	418
TAG	0	29,663	28,874	-	788
NATIONAL HONOR SOCIETY	944	481	1,258	-	167
NATIONAL HISPANIC HONOR S	-	198	118	-	80
FBLA	5,056	1,412	1,291	-	5,177
SCIENCE LCUB	166	5,035	3,897	-	1,303
PROJECT PROM	1	356	357	-	0
YOUTH SERVICE CENTER	30	50	(122)	-	202
Totals	\$ 33,545	\$ 202,617	\$ 190,051	\$ -	\$ 46,112

See the accompanying notes to the financial statements.

FLOYD COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES , EXPENSES, AND CHANGES IN FUND BALANCE -
SOUTH FLOYD HIGH SCHOOL
 FOR THE YEAR ENDED JUNE 30, 2014

	FUND BALANCE JULY 1, 2013	REVENUES	EXPENDITURES	TRANSFERS	FUND BALANCE JUNE 30, 2014
VOLLEYBALL	\$ 855	\$ 6,316	\$ 6,795	-	\$ 376
BOYS BASKETBALL	4,031	11,959	12,671	-	3,319
GIRLS BASKETBALL	3,689	5,230	7,084	-	1,835
SFMS-GIRLS BASKETBALL	-	678	-	-	678
SFMS BOYS BASKETBALL	-	7,149	7,149	-	-
SPANISH	-	162	94	-	68
GENERAL FUND	6	7,267	7,120	-	153
ATHLETICS	132	34,284	23,447	-	10,969
LIBRARY	193	6,311	6,401	-	103
BOYS VARSKITY CHEER	-	11,224	9,396	-	1,829
SFMS GIRLS CHEERLEADING	-	2,905	-	-	2,905
FOOTBALL BOOSTERS	5,297	9,617	10,864	-	4,050
STLP	56	-	56	-	0
BAND/MUSIC	55	206	245	-	16
ARCHERY	281	350	294	-	337
STUDENT VENDING	1,576	26,870	22,147	-	6,299
AP CLASS	2,853	1,045	1,590	-	2,309
PHOTO STUDIO	6	-	-	-	6
TEACHER VENDING	746	2,789	3,236	-	299
FRESHMEN	393	-	270	-	123
TALENTED & GIFTED	-	1,000	1,000	-	-
JUNIORS	179	11,147	11,300	-	26
SENIORS	461	2,681	2,415	-	727
BETA CLUB	903	207	366	-	744
PTO	108	-	-	-	108
STUDENT COUNCIL	-	5	-	-	5
CADD	51	-	-	-	51
MOLLETT SCH INTEREST	207	10	-	-	217
MOLLETT SCH CD	10,008	-	-	-	10,008
TEXTBOOK	751	-	-	-	751
YEARBOOK	50	418	-	-	468
GREENHOUSE	2,887	1,230	1,295	-	2,822
SFMS FOOTBALL	-	2,964	2,402	-	562
ACADEMIC TEAM	-	106	-	-	106
SHORTY JAMERSON BOWL	-	5,000	2,599	-	2,401
SFMS VOLLEYBALL	-	3,155	3,155	-	-
SFMS ACADEMIC	-	121	-	-	121
8TH GRADE	-	4,558	4,477	-	81
SOFTBALL	-	2,068	266	-	1,802
KSTC-ADVANCE KENTUCKY	-	731	-	-	731
Totals	\$ 35,774	\$ 169,762	\$ 148,134	\$ -	\$ 57,403

See the accompanying notes to the financial statements.

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

NOTE A – BASIS OF PRESENTATION

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

NOTE B – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. At June 30, 2014, the District had received food commodities totaling \$303,628.

Floyd County School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Expenditures
US Department of Agriculture				
Passed Through State Department of Education				
School Breakfast Program	10.553			
Fiscal Year 13		7760005 13	\$	\$ 343,144
Fiscal Year 14		7760005 14		1,126,425
National School Lunch Program	10.555			
Fiscal Year 13		7750002 13		633,322
Fiscal Year 14		7750002 14		2,027,667
Child Nutrition Cluster Subtotal				<u>4,130,558</u>
Fruit & Vegetable Program	10.582			
Fiscal Year 13		7720012 13		30,233
Fiscal Year 14		7720012 14		143,674
				<u>173,907</u>
Passed Through State Department of Agriculture				
Food Donation-Commodities	10.565			
Fiscal Year 14		510.4950		303,628
Total US Department of Agriculture				<u>4,608,093</u>
US Department of Education				
Passed Through State Department of Education				
* Title I Grants to Local Educational Agencies	84.010A			
Fiscal Year 12		3100002 12	3,960,316	10,057
Fiscal Year 13		3100002 13	3,772,010	491,631
Fiscal Year 13M		3100002 13	38,103	11,620
Fiscal Year 14		3100002 14	3,582,237	3,291,489
Fiscal Year 14M		3100002 14	36,184	17,170
* Title I Grants to Local Educational Agencies - School Improvement Grant	84.010A			
Fiscal Year 14		3100202 14	N/A	112,238
Title I Cluster Subtotal				<u>3,934,205</u>
* Special Education Grants to States	84.027A			
Fiscal Year 13		3810002 13	1,349,975	724,860
Fiscal Year 13P		3810002 13	20,348	14,820
Fiscal Year 14		3810002 14	1,300,192	1,041,109
* Special Education - Preschool Grants	84.173A			
Fiscal Year 13		3800002 13	66,559	4,132
Fiscal Year 14		3800002 14	66,069	14,551
Fiscal Year 14P		3800002 14	937	937
Special Education Cluster Subtotal				<u>1,800,409</u>
Vocation Education - Basic Grants to States	84.048			
Fiscal Year 13		4621132 13	58,875	7,351
Fiscal Year 13A		4621132 13	3,203	2,502
Fiscal Year 14		4621132 14	141,336	33,334
				<u>43,188</u>
Rural Education	84.358B			
Fiscal Year 12		3140002 12	131,968	13,882
Fiscal Year 13		3140002 13	116,979	43,498
Fiscal Year 14		3140002 14	111,621	104,996
				<u>162,376</u>
Twenty-First Century Community Learning Centers	84.287			
Fiscal Year 12		3400002 12	150,000	74,219
Fiscal Year 13		3400002 13	150,000	78,345
Fiscal Year 13S		3400002 13	5,000	5,000
Fiscal Year 14X		3400002 14	75,000	2,653
				<u>160,217</u>
School Improvement Grants, Recovery Act	84.388A			
Fiscal Year 10A ARRA		4100302 10	500,000	261
Fiscal Year 10B ARRA		4100302 10	325,000	13,933
Fiscal Year 10C ARRA		4100302 10	150,000	38,236
School Improvement Grants Cluster Subtotal				<u>52,430</u>
Improving Teacher Quality State Grants	84.367A			
Fiscal Year 13		3230002 13	627,539	35,816
Fiscal Year 14		3230002 14	603,934	603,934
				<u>639,750</u>
Race to the Top	84.413A			
Fiscal Year 11		39600002 11	161,282	90,596
Education Technology	84.318X			
Fiscal Year 14		3210002 14	39,078	2,757
Fiscal Year 14		3210002 14	29,518	19,787
				<u>22,545</u>
Passed Through Morehead State University				
Kentucky Appalachian Higher Education (KYAHED)	23.011			
Fiscal Year 14		6884	11,974	9,531
Passed Through Morehead State College				
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A			

Floyd County School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Expenditures
Fiscal Year 09G		3799G	191,050	76
Fiscal Year 11G		3791G	191,050	13,853
Fiscal Year 12G		3792G	216,050	86,932
Fiscal Year 13G		3793G	209,050	153,614
Fiscal Year 14G		3794G	191,050	133,824
				<u>388,299</u>
Total US Department of Education				<u>7,303,546</u>
U.S. Department of Commerce				
Passed through Bluegrass Pride				
Pride Grant-Wetlands Project	11.420			
Fiscal Year 14		2704	1,500	1,454
Total US Department of Commerce				<u>1,454</u>
U.S. Department of Defense				
ROTC	12.000			
Fiscal Year 14		5044	N/A	51,276
Total U.S. Department of Defense				<u>51,276</u>
U.S. Department of Health and Human Services				
Head Start	93.600			
Fiscal Year 13		04CH2596	1,207,969	272,915
Fiscal Year 14		04CH2596	1,101,880	713,866
				<u>986,780</u>
Passed Through Kentucky School Board Association				
Medicaid Reimbursement	93.778			
Fiscal Year 14		110.4810	N/A	155,183
Total U.S. Department of Health and Human Services				<u>1,141,963</u>
Total Expenditure of Federal Awards				\$ <u>13,106,331</u>

* Major program

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

To the Floyd County Board of Education and
State Committee for School District Audits
Prestonsburg, 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 audit requirements prescribed by the Kentucky State Committee for School District Audits in the Auditor Responsibilities and State Compliance Requirements sections contained in the Kentucky Public School Districts' Audit Contract and Requirements, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Floyd County School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Floyd County School District's basic financial statements, and have issued our report thereon dated October 23, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Floyd County School District, in a separate letter dated October 23, 2014.

In addition, the results of our tests disclosed no material deficiencies as it relates to specific state statutes or regulations identified in the audit requirements prescribed by the Kentucky State Committee for School District Audits included in the Kentucky Public School District's Audit Contract and Requirements or Appendices.

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.

White & Associates, P.C.

Richmond, Kentucky
October 23, 2014

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

To the Floyd County Board of Education and
State Committee for School District Audits
Prestonsburg, Kentucky

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Floyd County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the Auditor Responsibilities and State Compliance Requirements sections contained in the Kentucky Public School Districts' Audit Contract and Requirements. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Floyd County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

White & Associates, P.C.

Richmond, Kentucky
October 23, 2014

FLOYD COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2014

SUMMARY OF AUDITOR’S RESULTS

What type of report was issued for the financial statements?	Unmodified
Were there significant deficiencies in internal control disclosed? If so, was any significant deficiencies material (GAGAS)?	None Reported
Was any material noncompliance reported (GAGAS)?	No
Were there material weaknesses in internal control disclosed for major programs?	No
Were there any significant deficiencies in internal control disclosed that were not considered to be material weaknesses?	None Reported
What type of report was issued on compliance for major programs?	Unmodified
Did the audit disclose findings as it relates to major programs that Is required to be reported as described in Section 510(a) of OMB A-133?	No
Major Programs	Title I Cluster [CFDA 84.010A] Special Education Cluster [CFDA 84.027A, 84.173A]
Dollar threshold of Type A and B programs	\$393,190
Low risk auditee?	Yes

FINDINGS - FINANCIAL STATEMENT AUDIT

No findings at the financial statement level.

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
 AUDIT**

No findings at the major federal award programs level.

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

There were no prior year findings.