

BALLARD COUNTY SCHOOL DISTRICT



FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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Independent Auditor's Report

Kentucky State Committee for
School District Audits
Members of the Board
Ballard County School District
Barlow, 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 Ballard County School District as of and for the year ended June 30, 2015, 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 including *Appendix I to the Independent Auditor's Contract - Audit Extension Request and Appendix II to the Independent Auditor's Contract - Instructions for Submission of the Audit Report, Audit Acceptance Statement and Statement of Certification*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Ballard County School District as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 15 to the financial statements, in fiscal year 2015, the Ballard County School District adopted new accounting guidance, GASB Statement No. 68, *Accounting & Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension schedules on pages 4 through 7 and 8 through 18 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 Ballard County School District's basic financial statements. The additional information shown on pages 46 through 54 is presented for purposes of additional analysis and is 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 individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2015, on our consideration of Ballard County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ballard County School District's internal control over financial reporting and compliance.

Williams, Williams + Luty, LLP

Paducah, Kentucky
November 3, 2015

REQUIRED SUPPLEMENTARY INFORMATION

BALLARD COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015

As management of the Ballard County School District, we offer readers of the District's financial statements this narrative overview and analysis for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The beginning government wide net position for the District on July 1, 2014 was \$12,895,019. The ending government wide net position for the District on June 30, 2015 was \$11,053,990. This total incorporates all governmental and proprietary funds.
- Earnings on investments in governmental funds totaled \$1096 which is \$119 increase from the prior year.
- The General Fund had \$8,582,490 in revenue, excluding on-behalf payments and transfers, primarily from the state program (SEEK) and taxes. Excluding interfund transfers and on-behalf payments, there were \$8,722,439 in General Fund expenditures.
- The state mandated a 1% salary increase for certified and classified employees.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of a series of financial statements and notes to those statements. The District's basic financial statements are comprised of 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.

Government-wide financial statements: The government-wide financial statements are intended to provide the reader with a broad overview of the District's finances. They are organized much like those of a private-sector business.

The *statement of net position* presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between the two reported as net position. Over time, the changes in net position, both increases and decreases, may serve as an indicator of the District's financial position. Increases in net position indicate an improving financial position and decreases indicate a deteriorating position. However, the reader must understand that the District's goal is to provide quality services to our students, not to generate profits as commercial entities strive to do. Many non-financial factors must be considered when looking at the position of the District, such as the property tax base, current property tax laws in Kentucky restricting revenue growth, required educational programs, and other factors.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. The District uses an accrual basis of accounting, commonly used by private-sector businesses. This accounting practice takes into account all of the current year's revenues and expenses, regardless of when cash is received and paid.

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

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

(Continued)

BALLARD COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015

Fund financial statements: A fund is a grouping of related accounts used to maintain control over resources set aside for specific activities or objectives. This is a state-mandated uniform system and establishes a chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to guarantee and exhibit compliance with finance-related legal requirements. All of the District's funds can be divided into three categories: governmental, proprietary funds, and fiduciary funds. Our only proprietary funds are food service operations and child care operations. Fiduciary funds are held as trust funds established by benefactors to aide in student education. All other activities and resources are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 10 through 18 of this report.

Notes to the financial statements: The notes provide additional information and are useful in fully understanding the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 19 through 39 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$11,053,990 as of June 30, 2015.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, and furniture and equipment) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; as a result, 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 cannot be used to liquidate these liabilities.

The District's financial position is the result 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. Unrestricted net position as of June 30, 2015 is a deficit balance of \$675 thousand; the deficit is due to the adjustment to net position of \$2.7 million for the net pension liability required by GASB 68.

Net Position for the Years Ended June 30

	<u>2014</u>	<u>2015</u>
Current assets	\$ 4,508,855	\$ 4,779,536
Noncurrent assets	24,078,761	23,368,141
TOTAL ASSETS	<u>\$28,587,616</u>	<u>\$28,147,677</u>
DEFERRED OUTFLOW OF RESOURCES	<u>\$ 1,152,808</u>	<u>\$ 1,329,909</u>
Current liabilities	1,694,737	1,748,245
Noncurrent liabilities	14,874,839	16,149,789
TOTAL LIABILITIES	<u>\$16,569,576</u>	<u>\$17,898,034</u>
DEFERRED INFLOWS OF RESOURCES	<u>\$ 275,829</u>	<u>\$ 524,862</u>
Net investment in capital assets	9,015,181	9,453,206
Restricted	2,005,952	2,276,060
Unrestricted	<u>1,873,886</u>	<u>(675,276)</u>
TOTAL NET POSITION	<u>\$12,895,019</u>	<u>\$11,053,990</u>

(Continued)

BALLARD COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015

As a comparison for the year ended June 30, 2015, total net position has decreased by \$1,841,029. The decrease in net position during the current fiscal year indicates a diminished financial position. The main reason for the decrease in net position during this fiscal year was the addition of a \$2,637,000 Net Pension Liability in accordance with GASB 68. This liability depicts an estimate of District's share of the County Employees' Retirement System's net pension liability and will be adjusted annually. The net position at June 30, 2013 and related deferred outflows and inflows could not be determined in a practical manner. Therefore, net position at June 30, 2013 has not been restated and is presented based on previous guidance under GASB Statement No. 27.

The following are significant current year transactions that have had an impact on the statement of net position:

- Technology purchases continued by replacing outdated systems.

The following table presents a summary of revenues and expenses for the fiscal year ended June 30:

Revenues:	<u>2014</u>	<u>2015</u>
Charges for services	\$ 338,223	\$ 202,965
Operating grants and contributions	2,175,067	2,723,082
Capital grants and contributions	489,986	442,760
Taxes	4,290,966	4,390,754
State aid	7,800,868	8,895,625
Investment earnings	1,010	1,139
Gain on sale of equipment/loss compensation	5,425	842
Federal aid	84,513	112,726
Other	<u>163,710</u>	<u>177,356</u>
 Total revenues	 <u>15,349,768</u>	 <u>16,947,249</u>
 Expenses:		
Instruction	7,130,595	7,862,928
Student support services	504,050	641,101
Instructional support	428,537	454,350
District administration	702,508	930,466
School administration	870,830	926,956
Business support	412,315	816,907
Plant operations	1,426,767	1,664,688
Student transportation	950,312	965,201
Community support	98,581	108,031
Interest on long-term debt	661,999	624,392
Food service operations	1,030,509	973,914
Day care operations	<u>113,823</u>	<u>99,343</u>
 Total expenses	 <u>14,330,826</u>	 <u>16,068,277</u>
CHANGE IN NET POSITION	<u>\$ 1,018,942</u>	<u>\$ 878,972</u>

OVERVIEW OF FUND ACTIVITIES AND BUDGET

The majority of revenue was derived from state funding at 52%, taxes at 26%, and operating and capital grants and contributions at 19%. All other funding sources accounted for 3% percent of total governmental and business activity revenue.

(Continued)

BALLARD COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015

Comments on Budget Comparisons

- During the fiscal year ended June 30, 2015, the District amended its General Fund budget numerous times. Most amendments were due to changes in expenditure priorities.
- The District's total General Fund revenues for the fiscal year ended June 30, 2015, net of on-behalf payments and transfers, were \$8,582,490.
- General Fund budget, compared to actual revenue, excluding on-behalf payments, varied slightly from line item to line item; with the ending actual balance \$245,265 more than budget. This is due primarily to favorable variances in tax revenue.
- The total cost of all programs and services for the General Fund was \$8,722,439, net of interfund transfers and on-behalf payments.
- General Fund actual expenditures were \$1,627,487 less than budgeted expenses. A contingency of \$999,567 was budgeted for which there were no actual expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2015, the District had \$23,368,141 invested in land, buildings, and equipment net of depreciation. Of that amount, \$23,318,717 is in governmental activities.

See note 5 for a breakdown of additions by class on page 28.

Debt Administration

The District had \$17,550,139 in long-term liabilities outstanding on June 30, 2015. A total of \$1,400,350 is due within one year.

See note 6 on pages 29 through 31 for a detailed listing.

BUDGETARY IMPLICATIONS

In Kentucky, the fiscal year for public schools runs from July 1 through June 30; other programs, e.g., federal programs, operate on a different fiscal calendar, but are reflected in the District's overall budget.

By law, the District must maintain a 2% contingency. The District ended the year with a 15% contingency. The District has developed a budget for the next fiscal year that contains a 10% contingency. Significant District actions may impact this budget during the year.

Questions regarding this report should be directed to Casey Allen, Superintendent (270-665-8400), or Kim Bailey, Finance Officer (270-665-8400 Ext. 2007), or by mail to Ballard County School District, 3465 Paducah Road, Barlow, KY 42024.

BASIC FINANCIAL STATEMENTS

BALLARD COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals (Memorandum Only)</u>
Cash and cash equivalents	\$ 4,067,716	\$ 301,752	\$ 4,369,468
Accounts receivable:			
Taxes	136,164	-	136,164
Accounts	17,546	-	17,546
Intergovernmental - federal	232,271	-	232,271
Inventories	-	24,087	24,087
Nondepreciated capital assets:			
Land	283,628	-	283,628
Depreciated capital assets:			
Land improvements	1,808,187	-	1,808,187
Buildings	29,992,194	-	29,992,194
Furniture and equipment	3,954,977	284,492	4,239,469
Less: accumulated depreciation	<u>(12,720,269)</u>	<u>(235,068)</u>	<u>(12,955,337)</u>
Total assets	<u>27,772,414</u>	<u>375,263</u>	<u>28,147,677</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
District pension contributions subsequent to measurement date	287,630	47,471	335,101
Deferred bond discounts	19,671	-	19,671
Deferred savings from bond refunding	<u>974,437</u>	<u>-</u>	<u>974,437</u>
Total deferred outflows of resources	<u>1,281,738</u>	<u>47,471</u>	<u>1,329,209</u>
<u>LIABILITIES</u>			
Liabilities:			
Accounts payable	67,689	1,148	68,837
Overdraft	32,956	-	32,956
Advanced revenues	197,515	-	197,515
Long-term obligations:			
Due within one year:			
Bond obligations	1,332,097	-	1,332,097
Capital leases	16,089	-	16,089
Interest payable	48,587	-	48,587
KSBIT Assessment	52,164	-	52,164
Due beyond one year:			
Bond obligations	13,257,327	-	13,257,327
Capital leases	72,669	-	72,669
KSBIT Assessment	145,293	-	145,293
Net pension liability	2,251,242	385,758	2,637,000
Accrued sick leave payable	<u>37,500</u>	<u>-</u>	<u>37,500</u>
Total liabilities	<u>17,511,128</u>	<u>386,906</u>	<u>17,898,034</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Difference between actual and projected pension earnings	250,992	43,009	294,001
Deferred bond premium	<u>230,861</u>	<u>-</u>	<u>230,861</u>
Total deferred inflows of resources	<u>481,853</u>	<u>43,009</u>	<u>524,862</u>
<u>NET POSITION</u>			
Net investment in capital assets	9,403,782	49,424	9,453,206
Restricted for:			
Capital projects	2,267,224	-	2,267,224
Sick leave	8,800	-	8,800
Debt service	36	-	36
Unrestricted	<u>(618,671)</u>	<u>(56,605)</u>	<u>(675,276)</u>
TOTAL NET POSITION	<u>\$ 11,061,171</u>	<u>\$ (7,181)</u>	<u>\$ 11,053,990</u>

See notes to financial statements.

BALLARD COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

<u>FUNCTIONS/PROGRAMS</u>	Program Revenues			
Governmental Activities:	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Instruction	\$ 7,862,928	\$ -	\$1,137,803	\$ -
Support services:				
Student	641,101	-	138,374	-
Instructional staff	454,350	-	221,489	-
District administration	930,466	-	-	-
School administration	926,956	-	5,455	-
Business	816,907	-	107,443	-
Plant operations and maintenance	1,664,688	-	108,490	-
Student transportation	965,201	-	90,797	-
Community service	108,031	-	108,031	-
Facility acquisition and construction	-	-	-	401,832
Interest on long-term debt	624,392	-	-	40,928
	<u>14,995,020</u>	<u>-</u>	<u>1,917,882</u>	<u>442,760</u>
Total governmental activities				
	<u>14,995,020</u>	<u>-</u>	<u>1,917,882</u>	<u>442,760</u>
Business-type Activities:				
Food services	973,914	111,463	805,200	-
Day care	99,343	91,502	-	-
	<u>1,073,257</u>	<u>202,965</u>	<u>805,200</u>	<u>-</u>
Total business-type activities				
	<u>1,073,257</u>	<u>202,965</u>	<u>805,200</u>	<u>-</u>
TOTAL SCHOOL DISTRICT	<u>\$16,068,277</u>	<u>\$202,965</u>	<u>\$2,723,082</u>	<u>\$442,760</u>

General revenue and receipts:

Taxes:

Property
Motor vehicle
Utility
In lieu
Telecommunications
Omitted

State aid
State aid - on-behalf
Federal - formula grants
Investment earnings
Other

Special items:

Gain on sale of equipment

Total general revenue and special items

Change in net position

Net position, July 1, 2014, as previously stated

Adjustment to net position, see note 15

Net position, July 1, 2014, as restated

NET POSITION, JUNE 30, 2015

**Net (Expense) Revenue and
Changes in Net Position**

Governmental Activities	Business-type Activities	Total
<u>\$(6,725,125)</u>	<u>\$ -</u>	<u>\$(6,725,125)</u>
(502,727)	-	(502,727)
(232,861)	-	(232,861)
(930,466)	-	(930,466)
(921,501)	-	(921,501)
(709,464)	-	(709,464)
(1,556,198)	-	(1,556,198)
(874,404)	-	(874,404)
-	-	-
401,832	-	401,832
<u>(583,464)</u>	<u>-</u>	<u>(583,464)</u>
<u>(12,634,378)</u>	<u>-</u>	<u>(12,634,378)</u>
-	(57,251)	(57,251)
<u>-</u>	<u>(7,841)</u>	<u>(7,841)</u>
-	(65,092)	(65,092)
<u>(12,634,378)</u>	<u>(65,092)</u>	<u>(12,699,470)</u>
2,570,199	-	2,570,199
501,121	-	501,121
1,273,366	-	1,273,366
28,594	-	28,594
14,773	-	14,773
2,701	-	2,701
4,521,560	-	4,521,560
4,243,745	130,320	4,374,065
112,726	-	112,726
1,096	43	1,139
174,269	3,087	177,356
-	-	-
<u>842</u>	<u>-</u>	<u>842</u>
<u>13,444,992</u>	<u>133,450</u>	<u>13,578,442</u>
810,614	68,358	878,972
12,572,657	322,362	12,895,019
<u>(2,322,100)</u>	<u>(397,901)</u>	<u>(2,720,001)</u>
<u>10,250,557</u>	<u>(75,539)</u>	<u>10,175,018</u>
<u><u>\$11,061,171</u></u>	<u><u>\$ (7,181)</u></u>	<u><u>\$11,053,990</u></u>

BALLARD COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

<u>ASSETS</u>	<u>General Fund</u>	<u>Special Revenue (Grant) Fund</u>	<u>Capital Outlay Fund</u>
Cash and cash equivalents	\$1,795,530	\$ -	\$856,204
Accounts receivable:			
Taxes	136,164	-	-
Accounts	17,546	-	-
Intergovernmental - federal	-	232,271	-
TOTAL ASSETS	<u><u>\$1,949,240</u></u>	<u><u>\$232,271</u></u>	<u><u>\$856,204</u></u>
 <u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Accounts payable	\$ 65,889	\$ 1,800	\$ -
Overdraft	-	32,956	-
Interest payable	-	-	-
Advanced revenues	-	197,515	-
Total liabilities	<u><u>65,889</u></u>	<u><u>232,271</u></u>	<u><u>-</u></u>
Fund Balances:			
Restricted for:			
Future construction contracts	-	-	856,204
Debt service	-	-	-
Sick leave	8,800	-	-
Committed for:			
Site based carry forward SBDM	35,485	-	-
Other	30,108	-	-
Assigned for:			
Encumbrances	12,641	-	-
Unassigned	1,796,317	-	-
Total fund balances	<u><u>1,883,351</u></u>	<u><u>-</u></u>	<u><u>856,204</u></u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$1,949,240</u></u>	<u><u>\$232,271</u></u>	<u><u>\$856,204</u></u>

See notes to financial statements.

FSPK Fund	Debt Service Fund	Nonmajor Construction Fund	Total Governmental Funds
<u>\$1,390,631</u>	<u>\$ 4,962</u>	<u>\$ 20,390</u>	<u>\$ 4,067,717</u>
-	-	-	136,164
-	-	-	17,546
-	-	-	232,271
<u>\$1,390,631</u>	<u>\$ 4,962</u>	<u>\$ 20,390</u>	<u>\$ 4,453,698</u>

\$ -	\$ -	\$ -	\$ 67,689
-	-	-	32,956
-	4,926	-	4,926
-	-	-	197,515
-	4,926	-	303,086

1,390,631	-	20,390	2,267,225
-	36	-	36
-	-	-	8,800
-	-	-	35,485
-	-	-	30,108
-	-	-	12,641
-	-	-	1,796,317
<u>1,390,631</u>	<u>36</u>	<u>20,390</u>	<u>4,150,612</u>
<u>\$1,390,631</u>	<u>\$ 4,962</u>	<u>\$ 20,390</u>	<u>\$ 4,453,698</u>

BALLARD COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

Total fund balances per fund financial statement \$ 4,150,612

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Cost	\$ 36,038,986	
Accumulated depreciation	<u>(12,720,269)</u>	23,318,717

Deferred outflows and deferred inflows of resources are amortized in the governmental activities, but were recognized in full in the governmental funds.

Contributions made after the measurement date	287,630	
Difference between actual and projected earnings	(250,992)	
Deferred bond discounts	19,671	
Deferred savings from bond refunding	974,437	
Deferred bond premium	<u>(230,861)</u>	799,885

Certain liabilities are not reported in this fund financial statement because they are not currently due and payable, but they are presented in the statement of net position.

Interest payable	(43,662)
------------------	----------

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Bond obligations	(14,589,424)	
Lease obligations	(88,758)	
KSBIT Assessment	(197,457)	
Net pension liability	(2,251,242)	
Accrued sick leave payable	<u>(37,500)</u>	<u>(17,164,381)</u>

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u><u>\$ 11,061,171</u></u>
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Note: Construction was only nonmajor governmental fund.

BALLARD COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Special Revenue (Grant) Fund
Revenues:		
Taxes	\$ 3,777,250	\$ -
Earnings on investments	625	-
Intergovernmental - state	4,536,333	852,317
Intergovernmental - on-behalf	2,263,676	-
Intergovernmental - federal	112,726	1,065,565
Other	137,426	19,555
	<hr/>	<hr/>
Total revenues	10,828,036	1,937,437
	<hr/>	<hr/>
Expenditures:		
Current:		
Instruction	5,547,638	1,185,643
Support services:		
Student	467,819	138,374
Instructional staff	213,271	221,489
District administration	946,619	-
School administration	859,440	5,455
Business	666,912	107,443
Plant operations and maintenance	1,448,842	108,490
Student transportation	816,542	90,797
Community service		108,031
Debt service:		
Principal	15,966	-
Interest and other charges	3,066	-
	<hr/>	<hr/>
Total expenditures	10,986,115	1,965,722
	<hr/>	<hr/>
Excess (deficit) of revenues over expenditures	(158,079)	(28,285)
	<hr/>	<hr/>
Other Financing Sources (Uses):		
Bond proceeds	-	-
Insurance Proceeds	17,288	-
Proceeds from sale of assets	842	-
Operating transfers in	29,791	59,251
Operating transfers out	(28,285)	(30,966)
	<hr/>	<hr/>
Total other financing sources (uses)	19,636	28,285
	<hr/>	<hr/>
Net change in fund balances	(138,443)	-
Fund balances, July 1, 2014	2,021,794	-
	<hr/>	<hr/>
FUND BALANCES, JUNE 30, 2015	<u>\$ 1,883,351</u>	<u>\$ -</u>

See notes to financial statements.

Capital Outlay Fund	FSPK Fund	Debt Service Fund	Nonmajor Construction Fund	Total Governmental Funds
\$ -	\$ 598,732	\$ -	\$ -	\$ 4,375,982
158	305	8	-	1,096
117,852	283,980	-	-	5,790,482
-	-	1,036,845	-	3,300,521
-	-	40,928	-	1,219,219
-	-	-	-	156,981
<u>118,010</u>	<u>883,017</u>	<u>1,077,781</u>	<u>-</u>	<u>14,844,281</u>
-	-	-	-	6,733,281
-	-	-	-	606,193
-	-	-	-	434,760
-	-	-	-	946,619
-	-	-	-	864,895
-	-	-	-	774,355
-	-	-	-	1,557,332
-	-	-	-	907,339
-	-	-	-	108,031
-	-	3,736,411	-	3,752,377
-	-	530,697	-	533,763
<u>-</u>	<u>-</u>	<u>4,267,108</u>	<u>-</u>	<u>17,218,945</u>
<u>118,010</u>	<u>883,017</u>	<u>(3,189,327)</u>	<u>-</u>	<u>(2,374,664)</u>
-	-	2,490,000	-	2,490,000
-	-	-	-	17,288
-	-	-	-	842
-	-	699,288	-	788,330
(29,791)	(699,288)	-	-	(788,330)
<u>(29,791)</u>	<u>(699,288)</u>	<u>3,189,288</u>	<u>-</u>	<u>2,508,130</u>
88,219	183,729	(39)	-	133,466
<u>767,985</u>	<u>1,206,902</u>	<u>75</u>	<u>20,390</u>	<u>4,017,146</u>
<u>\$856,204</u>	<u>\$1,390,631</u>	<u>\$ 36</u>	<u>\$ 20,390</u>	<u>\$ 4,150,612</u>

BALLARD COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Net change in fund balances		\$ 133,466
<p>Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation expense for the year.</p>		
Depreciation expense	\$ (840,624)	
Capital outlays	<u>141,755</u>	(698,869)
<p>Bond and capital lease proceeds are reported as financing sources in governmental funds and, thus, contribute to the change in fund balance. In the statement of net position, however, issuing debt and capital lease agreements increase long-term liabilities and do not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.</p>		
Bond proceeds	(2,490,000)	
Capital lease payments	15,966	
Principal paid	<u>3,736,411</u>	1,262,377
<p>Governmental funds report the effect of discounts and premiums when debt is first issued; whereas, these amounts are deferred and amortized in the statement of activities.</p>		
Deferred bonds costs on new bond issue	28,202	
Amortization of bond discounts	(186,902)	
Amortization of bond premium	<u>44,968</u>	(113,732)
<p>Governmental funds report CERS pension contributions as expense when they are paid. The changes in assumptions surrounding pension liabilities are deferred and amortized in the statement of activities. This also includes adjustments for contributions made after the measurement date of the plan. For KTRS contributions paid on-behalf of the District, the actual contributions are expensed when they are paid. The amount reported in the Statement of Activities is based on actuarial projections. The \$943,224 difference due to actuarial projections on KTRS does not result in a reconciling item.</p>		
Contributions after the measurement date	287,630	
Amortization of deferred inflows	62,747	
Pension expense	<u>(242,882)</u>	107,495
<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. These net differences are as follows:</p>		
Long-term sick leave	11,700	
Accrued interest expense	23,103	
KSBIT Assessment	<u>85,074</u>	<u>119,877</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 810,614</u></u>

See notes to financial statements.

BALLARD COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

<u>ASSETS</u>	<u>Enterprise Funds</u>		
	<u>Food Services</u>	<u>Child Care Center</u>	<u>Totals</u>
Current Assets:			
Cash and cash equivalents	\$263,280	\$ 38,472	\$301,752
Inventories	24,087	-	24,087
Total current assets	<u>287,367</u>	<u>38,472</u>	<u>325,839</u>
Noncurrent Assets:			
Furniture and equipment	284,492	-	284,492
Less accumulated depreciation	<u>(235,068)</u>	<u>-</u>	<u>(235,068)</u>
Total noncurrent assets	<u>49,424</u>	<u>-</u>	<u>49,424</u>
Total Assets	<u>336,791</u>	<u>38,472</u>	<u>375,263</u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>			
District pension contributions subsequent to measurement date	<u>36,697</u>	<u>10,774</u>	<u>47,471</u>
 <u>LIABILITIES</u>			
Accounts payable	1,148	-	1,148
Net pension liability	<u>293,136</u>	<u>92,622</u>	<u>385,758</u>
Total Liabilities	<u>294,284</u>	<u>92,622</u>	<u>386,906</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>			
Difference between projected and actual pension earnings	<u>32,682</u>	<u>10,327</u>	<u>43,009</u>
 <u>NET POSITION</u>			
Invested in capital assets	49,424	-	49,424
Unrestricted	<u>(2,902)</u>	<u>(53,703)</u>	<u>(56,605)</u>
TOTAL NET POSITION	<u><u>\$ 46,522</u></u>	<u><u>\$(53,703)</u></u>	<u><u>\$ (7,181)</u></u>

See notes to financial statements.

BALLARD COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Enterprise Funds</u>		<u>Totals</u>
	<u>Food Services</u>	<u>Child Care Center</u>	
Operating Revenues:			
Lunchroom sales	\$111,463	\$ -	\$ 111,463
Other operating revenues	3,087	91,502	94,589
Total operating revenues	<u>114,550</u>	<u>91,502</u>	<u>206,052</u>
Operating Expenses:			
Salaries and wages	414,004	86,609	500,613
Professional and contract services	21,181	1,099	22,280
Materials and supplies	517,115	11,255	528,370
Depreciation expense	11,751	-	11,751
Other operating expenses	9,863	380	10,243
Total operating expenses	<u>973,914</u>	<u>99,343</u>	<u>1,073,257</u>
Operating loss	<u>(859,364)</u>	<u>(7,841)</u>	<u>(867,205)</u>
Non-Operating Revenues:			
Federal grants	736,274	-	736,274
Federal grants - in-kind commodities	56,523	-	56,523
State grants	12,403	-	12,403
State grants - on-behalf	115,840	14,480	130,320
Interest income	43	-	43
Total non-operating revenues	<u>921,083</u>	<u>14,480</u>	<u>935,563</u>
Change in net position	61,719	6,639	68,358
Net position, July 1, 2014	287,166	35,196	322,362
Adjustments to net position, see note 15	<u>(302,363)</u>	<u>(95,538)</u>	<u>(397,901)</u>
Net position, July 1, 2014, as restated	<u>(15,197)</u>	<u>(60,342)</u>	<u>(75,539)</u>
NET POSITION, JUNE 30, 2015	<u><u>\$ 46,522</u></u>	<u><u>\$ (53,703)</u></u>	<u><u>\$ (7,181)</u></u>

See notes to financial statements.

BALLARD COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Enterprise Funds</u>		
	<u>Food Services</u>	<u>Child Care Center</u>	<u>Totals</u>
Cash Flows from Operating Activities:			
Cash received from:			
Lunchroom sales	\$ 111,463	\$ -	\$ 111,463
Other activities	3,087	91,502	94,589
Cash paid to/for:			
Employees	(427,246)	(89,972)	(517,218)
Supplies	(460,931)	(11,255)	(472,186)
Other activities	(31,044)	(1,479)	(32,523)
Net cash used by operating activities	<u>(804,671)</u>	<u>(11,204)</u>	<u>(815,875)</u>
Cash Flows from Non-Capital Financing Activities:			
Government grants	<u>864,517</u>	<u>14,480</u>	<u>878,997</u>
Net cash provided by non-capital financing activities	<u>864,517</u>	<u>14,480</u>	<u>878,997</u>
Cash Flows from Investing Activities:			
Receipt of interest income	<u>43</u>	<u>-</u>	<u>43</u>
Net cash provided by investing activities	<u>43</u>	<u>-</u>	<u>43</u>
Net increase in cash and cash equivalents	59,889	3,276	63,165
Cash and cash equivalents, July 1, 2014	<u>203,391</u>	<u>35,196</u>	<u>238,587</u>
CASH AND CASH EQUIVALENTS, JUNE 30, 2015	<u><u>\$ 263,280</u></u>	<u><u>\$ 38,472</u></u>	<u><u>\$ 301,752</u></u>
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ (859,364)	\$ (7,841)	\$(867,205)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation	11,751	-	11,751
Commodities used	56,523	-	56,523
Change in assets and liabilities:			
Inventory	5,479	-	5,479
Deferred outflows of resources	(36,697)	(10,774)	(47,471)
Accounts payable	(5,818)	-	(5,818)
Net pension liability	(9,227)	(2,916)	(12,143)
Deferred inflows of resources	<u>32,682</u>	<u>10,327</u>	<u>43,009</u>
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (804,671)</u></u>	<u><u>\$ (11,204)</u></u>	<u><u>\$ (815,875)</u></u>
Schedule of Non-Cash Transactions:			
Donated commodities received from federal government	<u><u>\$ 56,523</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 56,523</u></u>

See notes to financial statements.

BALLARD COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

	Private- Purpose Trust Funds	Agency Funds
Assets:		
Cash and cash equivalents	\$ 81,212	\$122,825
Investments	276,882	-
Total assets	358,094	122,825
Liabilities:		
Accounts payable	-	440
Due to student groups	-	50,465
Due to students in general	-	69,791
Due to teachers	-	2,129
Total liabilities	-	122,825
NET POSITION HELD IN TRUST FOR SCHOLARSHIPS	\$358,094	\$ -

See notes to financial statements.

BALLARD COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Private- Purpose Trust Funds
Additions:	
Net interest and investment gains	\$ 5,614
Private donations	10,830
Total additions	<u>16,444</u>
Deductions:	
Benefits paid	<u>17,756</u>
Change in net position	(1,312)
Net position, beginning of year	<u>359,406</u>
NET POSITION, END OF YEAR	<u><u>\$358,094</u></u>

See notes to financial statements.

BALLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1 - Reporting Entity:

The Ballard County Board of Education, 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 Ballard County, Kentucky. The Ballard County School District (District) receives funding from local, state, and federal government sources and must comply with the commitment requirement 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 because board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Ballard County School District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the District itself such as Band Boosters, Parent-Teacher Associations, etc. The District is not involved in budgeting or managing these organizations, and is not responsible for any debt of the organizations, nor has any influence over the operation of the organization.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the District. 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, a blended component unit, are included in the accompanying financial statements.

Ballard County School Board Finance Corporation - In 1991, the Ballard County, Kentucky School District resolved to authorize the establishment of the Ballard County School Board Finance Corporation (a nonprofit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the District for financing the costs of school building facilities. The Board Members of the Ballard County School District also comprise the Corporation's Board of Directors. There are no audited financial statements issued separately for this component unit.

Note 2 - Summary of Significant Accounting Policies:

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the District's accounting policies are described below.

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 all 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. Governmental activities are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

(Continued)

BALLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 2 - Summary of Significant Accounting Policies (Continued):

Basis of Presentation

Government-Wide Financial Statements

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

The 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, 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

The financial statements of the District are reported in individual funds in the fund financial statements, each of which is considered to be a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for government funds are a balance sheet, which generally includes only current assets, current liabilities, fund balances, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenue and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in total net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The fiduciary funds are reported using the economic resource measurement focus.

Fund Accounting

The District has the following funds:

a. Governmental Fund Types

The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any unrestricted fund balances are considered as resources available for use. This is always classified as a major fund of the District per GASB 34.

(Continued)

BALLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 2 - Summary of Significant Accounting Policies (Continued):

Fund Accounting

a. Governmental Fund Types

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

Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by proprietary funds).

1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds (unless authorized for retention in the General Fund) and is restricted for use in financing projects identified in the District's facility plan. This is a major fund of the District.
2. The Facility Support Program of Kentucky (FSPK) Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan. This is a major fund of the District.
3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.

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.

b. Proprietary Funds (Enterprise Funds)

The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). An amount of \$56,523 has been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund of the District.

The Child Care Centers Fund is used to account for after school programs for students. Revenues are generated by collection of fees from program participants. Expenditures are for operating activities of the programs. This is a major fund of the District.

c. Fiduciary Fund Types (Private Purpose Trust Funds and Agency)

The Private Purpose Trust Fund accounts for scholarship funds that provide for the college education of deserving senior students, chosen under procedures determined by the District. These are accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. Only the corpus earnings may be spent for scholarships.

(Continued)

BALLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 2 - Summary of Significant Accounting Policies (Continued):

Fund Accounting

Agency Funds account for assets held by the District in a purely custodial capacity. Since Agency Funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations. The Agency Funds account for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with *Uniform Program of Accounting for School Activity Funds*.

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.

Exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On the 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 resources are 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 the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenues from non-exchange transactions must also be available before it can be recognized.

Advanced Revenue - Advanced 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 advanced revenue.

Deferred Outflows and Deferred Inflows - Deferred outflow of resources represents a consumption of net position by the District that is applicable to a future reporting period and will not be recognized as an outflow of resources (expense) until that time. Deferred inflow of resources represents an acquisition of net position by the District that is applicable to a future reporting period and will not be recognized as an inflow of resources (revenue) until that time. The District reports deferred outflows and inflows of resources with respect to their participation in the County Employee Retirement System as discussed further in note 8.

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

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.

(Continued)

BALLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 2 - Summary of Significant Accounting Policies (Continued):

Property Taxes

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 due date is based on a period ending thirty days after the tax bill mailing. Property taxes collected are recorded as revenues in the fund for which they are levied.

The property tax rates assessed for the year ended June 30, 2015 to finance operations were \$.516 per \$100 valuation for real property, \$.516 per \$100 valuation for business personal property, and \$.479 per \$100 valuation for motor vehicles.

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

Budgetary Process

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

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

Once the budget is approved, it can be amended. Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year end.

Cash and Cash Equivalents

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

Inventories

The only inventory maintained by the District consists of expendable supplies held for consumption and is accounted for in the proprietary fund. Inventory consists of purchased food held for consumption and is expensed when used. The purchased food is valued at cost.

Debt Costs

Unamortized debt discounts of \$994,108 and unamortized premiums of \$230,861 are included in the government-wide statements as deferred outflows and deferred inflows of resources, respectively. Both debt discounts and premiums are amortized over the lives of the related debt issues using the effective interest method.

Capital Assets

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

(Continued)

BALLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015

Note 2 - Summary of Significant Accounting Policies (Continued):

Capital Assets

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 five thousand dollars with exception for real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not. Technology assets acquired through E-rate are capitalized at full cost with the portion paid by E-rate being treated as donated assets.

All capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both governmental and business-type capital assets:

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

Accumulated Unpaid Sick Leave Benefits

For those employees who qualify, the District has adopted a policy of providing at retirement a percentage of their accumulated unused sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's 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 sick leave is the amount expected to be paid using expendable available resources. These amounts, when applicable, are recorded in the account "accumulated sick leave payable" in the general fund. The noncurrent portion of the liability is not reported.

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.

(Continued)

BALLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 2 - Summary of Significant Accounting Policies (Continued):

Accrued Liabilities and Long-Term Obligations

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, 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 liabilities 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 liabilities in the fund financial statements until due.

Fund Balance Classifications

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which for the District, is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment.

Assigned fund balances are those amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows the District's Superintendent, or his designee, to complete purchase orders which result in the encumbrance of funds. Assigned fund balance also includes (a) all remaining amounts, except negative balances, that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The District considers restricted amounts to have been spent first when expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available. The District does not have a policy regarding the use of unrestricted fund balance amounts. Therefore, the default order is used which considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Statutorily, the Kentucky Department of Education may assume financial control over any school district whose fund balance drops below 2% of the total expenditures of certain funds. The Board committed funds to ensure fund balance remains above this level. While these funds have been properly committed and not budgeted for future years' expenditures, there is no mandate on how these funds would be used if the Board fell below this floor.

(Continued)

BALLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 2 - Summary of Significant Accounting Policies (Continued):

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net position reports \$2,276,060 of restricted net position, of which \$8,800 is restricted by enabling legislation.

Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues and expenses that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from exchange transactions or ancillary activities.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Kentucky Teachers' Retirement System (KTRS) and County Employees' Retirement System (CERS) and additions to/deductions from the plans' fiduciary net positions have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Use of Restricted Sources

When an expense is incurred for which there are both restricted and unrestricted net position available, it is the District's policy to use restricted resources first, then unrestricted resources, as they are needed.

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 non-operating revenues/expenses in proprietary funds. Interfund transfers between funds of the same type are eliminated in the government-wide statements. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through November 3, 2015, the date the financial statements were available to be issued.

(Continued)

BALLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 3 - Estimates:

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

Note 4 - Cash and Cash Equivalents and Investments:

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to KRS 160.570 and 702 KAR 3:090. The depository bank deposits for safekeeping and trust with the District's third party agent approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Kentucky Revised Statutes authorize the District to invest in direct obligations of the United States government, obligations backed by the full faith and credit of the United States government, certificates of deposit or other interest bearing accounts issued by any bank or savings and loan institution provided that such investment is insured by the FDIC or guaranteed by the pledge of direct United States government obligations, bonds issued by the Commonwealth of Kentucky or one of its agencies and instrumentalities, securities issued by any state or local government of the United States rated in one of the three highest categories by a nationally recognized rating agency, certain mutual funds, commercial paper rated in the highest category by a nationally recognized rating agency, or bankers' acceptances for banks rated in one of the three highest categories by a nationally recognized rating agency. The District has no investment policy that would further limit its investment choices.

At year end, the carrying amount of the District's cash and cash equivalents was \$4,573,505, and the carrying amount of investments was \$276,882. The bank balance for cash and cash equivalents and certificates of deposit (investments valued at cost which represents fair market value and with maturity dates of greater than ninety days subsequent to year end) was \$5,453,778. Of the bank balance, \$552,934 was covered by federal depository insurance and the remaining balance was subject to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Of the remaining balance, \$4,900,844 was uninsured and collateralized with securities held by the pledging bank's agent, not in the District's name.

(Continued)

BALLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 5 - Capital Assets:

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

Governmental Activities:	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Land	\$ 283,628	\$ -	\$ -	\$ 283,628
Land improvements	1,808,187	-	-	1,808,187
Buildings and improvements	29,992,194	-	-	29,992,194
Technology equipment	1,588,857	33,475	-	1,622,332
General equipment	358,879	20,219	-	379,098
Vehicles	<u>1,865,486</u>	<u>88,061</u>	<u>-</u>	<u>1,953,547</u>
Totals at historical cost	<u>35,897,231</u>	<u>141,755</u>	<u>-</u>	<u>36,038,986</u>
Less accumulated depreciation:				
Land improvements	1,098,414	47,601	-	1,146,015
Buildings and improvements	7,412,982	654,734	-	8,067,716
Technology equipment	1,551,589	31,082	-	1,582,671
General equipment	335,271	6,258	-	341,529
Vehicles	<u>1,481,389</u>	<u>100,949</u>	<u>-</u>	<u>1,582,338</u>
Total accumulated depreciation	<u>11,879,645</u>	<u>840,624</u>	<u>-</u>	<u>12,720,269</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS – NET	<u>\$24,017,586</u>	<u>\$(698,869)</u>	<u>\$ -</u>	<u>\$23,318,717</u>
Business-type Activities:	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Food service equipment	\$281,207	\$ -	\$ -	\$281,207
Technology equipment	<u>3,285</u>	<u>-</u>	<u>-</u>	<u>3,285</u>
Totals at historical cost	<u>284,492</u>	<u>-</u>	<u>-</u>	<u>284,492</u>
Less accumulated depreciation:				
Food service equipment	220,032	11,751	-	231,783
Technology equipment	<u>3,285</u>	<u>-</u>	<u>-</u>	<u>3,285</u>
Total accumulated depreciation	<u>223,317</u>	<u>11,751</u>	<u>-</u>	<u>235,068</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS – NET	<u>\$ 61,175</u>	<u>\$(11,751)</u>	<u>\$ -</u>	<u>\$ 49,424</u>

(Continued)

BALLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 5 - Capital Assets (Continued):

Depreciation expense was charged to governmental functions as follows:

Instruction	\$724,394
Support services:	
Student	4,463
District administration	3,541
Plant operations and maintenance	10,818
Student transportation	<u>97,408</u>
 TOTAL DEPRECIATION EXPENSE	 <u>\$840,624</u>

Note 6 - Bond and Lease Obligations:

The amount shown in the accompanying government-wide financial statements as bond and lease obligations represents the District's future obligations to make payments relating to the bonds and leases issued by the Fiscal Court of Ballard County and the Ballard County School Board Finance Corporation. These amounts are not reflected on the fund financial statements.

The District, through the General Fund, the SEEK Capital Outlay Fund, and the Facility Support Program Levy Fund, is obligated to make bond and lease payments. The agreements provide, among other things, for rentals sufficient to satisfy debt service requirements on bonds issued by the Fiscal Court and the Ballard County School Board Finance Corporation to construct school facilities. The District has the option to purchase the property under lease at any time by retiring the bonds then outstanding. Upon completion of such payments, the leased premises should become property of the District. The District is obligated to maintain adequate property insurance on the school facilities, and the school facilities have been pledged as security for the holders of the bonds.

Bonds

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

<u>Issue Date</u>	<u>Proceeds</u>	<u>Outstanding Balance</u>	<u>Rates</u>
December 2009	\$ 182,284	\$ 69,424	1.000% - 3.250%
March 2012	13,785,000	12,030,000	2.000% - 3.125%
March 2015	2,490,000	2,490,000	2.000% - 3.000%

On March 1, 2015, the District issued revenue refunding bonds to redeem its outstanding March 2010 series bonds in the principal amount of \$2,440,000, at the redemption price of 100%. The liability for the defeased bonds is not included in the District's financial statements. The discounts and deferred savings from bond refunding associated with the early debt retirement of the issue are treated as deferred outflows of resources and amortized over the remaining life of the refunded debt. The total deferred savings from bond refundings were \$22,863; and the total deferred discounts were \$5,340 from the new 2015 series issue and \$13,965 remaining from the defeased March 2010 series. The amortization for the year was \$1,360 and is included as a component of interest expense.

(Continued)

BALLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 6 - Bond and Lease Obligations (Continued):

On March 20, 2012, the Board issued revenue refunding bonds to advance refund the June 2004 series bonds. The net proceeds redeemed outstanding June 2004 series bonds maturing after June 1, 2014 in the principal amount of \$12,300,000, at the redemption price of 100%. The liability for the defeased bonds is not included in the District's financial statements. The reacquisition price exceeded the net carrying amount of the old debt by \$1,548,998. This amount is treated as deferred outflows of resources and amortized over the remaining life of the refunded debt. The amortization for the year is \$185,351 and is included as a component of interest expense. The premium associated with issuance of the 2012 series bonds was \$375,726 and is treated as deferred inflows of resources and amortized over the remaining life of the refunded debt. The amortization for the year is \$(44,968) and is included as a component of interest expense. This advance refunding was undertaken to reduce future total debt service payments over the next 10 years by \$994,564 with a resulting net economic loss of \$434,555.

In December 2009, the District issued bonds to redeem its outstanding February 1, 1998 KISTA project bonds. The liabilities for the defeased bonds are not included in the District's financial statements. The discounts associated with the early debt retirement of the issue are treated as deferred outflows of resources and amortized over the remaining life of the refunded debt. The total deferred discounts were \$1,823. The amortization for the year was \$191 and is included as a component of interest expense.

The KISTA project bonds provided funds for construction projects of the District. The District leases and rents the projects from KISTA on an annual basis. The semi-annual bond interest and principal payments constitute the lease payments. The District is also obligated to maintain the projects in good repair over the life of the lease terms.

In 2009, 2012, and 2015, the District entered into "participation agreements" with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school boards in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amounts remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

All bonds may be called prior to maturity at dates and redemption premiums specified in each bond issue. In the government-wide financial statements, bond premiums, discounts, and advanced refunding savings are deferred and amortized over the life of the bonds using the effective interest method as a component of interest expense. Assuming no issues are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2015 for debt service (principal and interest) are as follows:

<u>Fiscal Year</u>	<u>Ballard County School District</u>		<u>Kentucky School Facilities Construction Commission</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2015-2016	\$ 512,317	\$ 171,581	\$ 819,780	\$ 217,065	\$ 1,720,743
2016-2017	520,535	164,505	836,241	200,602	1,721,883
2017-2018	529,294	154,094	853,146	183,700	1,720,234
2018-2019	540,615	142,412	872,496	164,351	1,719,874
2019-2020	561,085	127,100	878,915	138,469	1,705,569
2020-2025	2,640,616	387,962	3,684,384	284,732	6,997,694
2025-2030	<u>1,318,579</u>	<u>118,797</u>	<u>21,421</u>	<u>2,016</u>	<u>1,460,813</u>
TOTALS	<u>\$6,623,041</u>	<u>\$1,266,451</u>	<u>\$7,966,383</u>	<u>\$1,190,935</u>	<u>\$17,046,810</u>

(Continued)

BALLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 6 - Bond and Lease Obligations (Continued):

Capital Leases

The KISTA school bus acquisition bonds provide for the title of the equipment (buses) to vest in the District subject to a first lien, and if nonrenewal or default occurs, the title will revert to KISTA. The District leases and rents the equipment from KISTA on an annual basis and has an exclusive option to renew this lease from year to year for the period of time of the pooled bond issue (approximately 10 years). The semi-annual bond interest and principal payments constitute the lease payments. The District is also obligated to keep the equipment in good repair and provide insurance coverage.

The buses have a historical cost and accumulated amortization of \$274,811 and \$184,568, respectively, under the capital lease agreements. Amortization is included in depreciation expense. Future minimum lease payments at June 30, 2015, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015-2016	\$ 16,089	\$ 2,739	\$ 18,828
2016-2017	16,671	2,345	19,016
2017-2018	17,063	1,891	18,954
2018-2019	16,184	1,371	17,555
2019-2020	15,287	836	16,123
2020-2021	<u>7,464</u>	<u>299</u>	<u>7,763</u>
TOTALS	<u>\$ 88,758</u>	<u>\$ 9,481</u>	<u>\$ 98,239</u>

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2015, was as follows:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>June 30, 2015</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities:					
Bonds payable	\$15,835,835	\$2,490,000	\$(3,736,411)	\$14,589,424	\$1,332,097
Capital leases	<u>104,724</u>	-	<u>(15,966)</u>	<u>88,758</u>	<u>16,089</u>
Bond and lease obligations	15,940,559	2,490,000	(3,752,377)	14,678,182	1,348,186
Accumulated sick leave	49,200	-	(11,700)	37,500	-
KSBIT assessment	<u>282,531</u>	-	<u>(85,074)</u>	<u>197,457</u>	<u>52,164</u>
GOVERNMENTAL ACTIVITY LONG-TERM LIABILITIES	<u>\$16,272,290</u>	<u>\$2,490,000</u>	<u>\$(3,849,151)</u>	<u>\$14,913,139</u>	<u>\$1,400,350</u>

Note 7 - Operating Leases:

On August 1, 1993, the District signed an agreement with the Murray Independent School District to lease physical facilities of the District to conduct Head Start programs. This agreement is renewable for twenty-nine one-year periods.

(Continued)

BALLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 8 - Retirement Plans:

The State reports 1) an asset, deferred outflows of resources; 2) liabilities, net pension liability and deferred inflows of resources; and 3) certain expenses; as a result of its statutory requirement to contribute to the Kentucky Teachers' Retirement System (KTRS). The District reports 1) an asset, deferred outflows of resources; 2) liabilities, net pension liability and deferred inflows of resources; and 3) certain expenses; as a result of its statutory requirement to contribute to the County Employees' Retirement System (CERS).

Plan description. The Ballard County School District participates in the Kentucky Teachers' Retirement System (KTRS) and the County Employees' Retirement System (CERS), both cost-sharing multiple-employer defined benefit pension plans which are administered by the Kentucky Retirement System. Teaching-certified employees are covered under KTRS and substantially all other employees (classified employees) are covered under CERS.

The plan covers all regular full-time members employed in non-hazardous and hazardous duty positions of any state department, board, agency, county, city, school board, and any additional eligible local agencies electing to participate. Both plans provide retirement, disability benefits, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost of living (COLA) adjustments are provided at the discretion of the State legislature. Under the provisions of Kentucky Revised Section 61.645, the Board of Trustees of Kentucky Retirement Systems provides for the establishment of both systems and benefit amendments are authorized by the State legislature. The Kentucky Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for the plan. The report may be obtained by writing or calling the plans:

Kentucky Teachers' Retirement System
479 Versailles Road
Frankfort, Kentucky 40601-3800
(502) 573-3266

Kentucky Retirement Systems
Perimeter Park West
1260 Louisville Road
Frankfort, Kentucky 40601-6124
(502) 564-4646

Kentucky Teachers' Retirement System (KTRS)

Funding Policies. Plan members of KTRS are required to contribute 12.105% of their annual covered salary for fiscal year 2015. Plan members were required to contribute 11.355% for fiscal year 2014, and 10.855% for fiscal year 2013. The State provides a contribution of 15.355% for employees hired after July 1, 2008 and 13.105% for employees hired before July 1, 2008, except for federal programs for fiscal year 2015. The 15.355% and matching contributions for covered salaries of federal programs are paid by those programs. The State contribution for fiscal year 2014 was 14.605%. The State contribution for fiscal year 2013 was 14.105%. For fiscal years ended June 30, 2015, 2014, and 2013, the District contributed an additional 2.25%, 1.50%, and 1.00%, respectively for employee medical insurance. KTRS requires that members of KTRS occupy a position requiring either a four-year college degree or certification by Kentucky Department of Education.

BALLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 8 - Retirement Plans (Continued):

Kentucky Teachers' Retirement System (KTRS)

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions. The state is the only entity that has a legal obligation to make contributions directly to a cost-sharing pension plan that is used to provide benefits to employees of local governments. Therefore, the state reports 100 percent of the net pension liability associated with benefits provided through the cost-sharing plan, and the District does not recognize any of the liability. Each employer's proportionate share is zero percent. For the year ended June 30, 2014, the District recognized on-behalf pension expense and revenue in the amount of \$1,817,053 for 2015 on the statement of activities for support provided by the State.

The net pension liability as of June 30, 2015, is based on the June 30, 2013 actuarial valuation for the first year of implementation. As a result, there are no differences between expected and actual experience or changes in assumptions subject to amortization. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period.

Actuarial assumptions. The total pension liability in the June 30, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation	3.5%
Salary increases, including inflation	4.0 - 8.20%
Long-term investment rate of return, net of pension plan investment expense, including inflation	7.50%
Municipal bond index rate	
Prior measurement date	4.27%
Measurement date	4.35%
Year FNP is projected to be depleted	2036
Single equivalent interest rate, net of pension plan investment expense, including inflation	
Prior measurement date	5.16%
Measurement date	5.23%
Post-retirement benefit increase	1.50% annually

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale to AA to 2020 with a set back of 1 year for females.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2005 - June 30, 2010 adopted by the Board on December 19, 2011.

The long-term expected rate of return on pension plan investments was determined using a distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

(Continued)

BALLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 8 - Retirement Plans (Continued):

Kentucky Teachers' Retirement System (KTRS)

Discount rate. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by KTRS's investment consultant, are summarized in the following table:

<u>Asset</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	45.0%	6.4%
Non U.S. Equity	17.0%	6.5%
Fixed Income	24.0%	1.6%
High Yield Bonds	4.0%	3.1%
Real Estate	4.0%	5.8%
Alternatives	4.0%	6.8%
Cash	<u>2.0%</u>	1.5%
Total	100%	

The discount rate used to measure the total pension liability as of the measurement date was 5.23%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67. It was assumed the plan member contributions will be made at the current contribution rates and employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members until the 2036 plan year and, as a result, the Municipal Bond Index Rate was used in the determination of the single equivalent interest rate. On the prior measurement date, the long-term expected rate of return of 7.5% on plan investments was applied to periods before 2036 and the Municipal Bond Index Rate of 4.27% was applied to periods on or after 2036, resulting in a single equivalent interest rate of 5.16%. There was a change in the Municipal Bond Index Rate from the prior measurement date to the measurement date, so as required under GASB 68, the single equivalent interest rate at the measurement date of 5.23% was calculated using the Municipal Bond Index Rate as of the measurement date of 4.35%. This change in the discount rate is considered a change in actuarial assumptions under GASB 68.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the net pension liability of the District calculated using the discount rate of 5.23%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.23%) or 1-percentage-point higher (6.23%) than the current rate:

	1% Decrease (4.23%)	Current Discount (5.23%)	1% Increase (6.23%)
System's net pension liability	\$48,929,329	\$38,952,338	\$30,718,584

County Employees' Retirement System (CERS)

Funding Policies. Contribution rates are established by the Kentucky Revised Statutes. Non-hazardous plan members who began participating prior to September 1, 2008 are required to contribute 5% of their annual creditable compensation. Plan members who began participating on, or after, September 1, 2008 are required to contribute 6% of their annual creditable compensation, which includes 1% for retirement health insurance coverage. The Ballard County School District provides a contribution of 17.67% of annual covered payroll. The required District contribution rates for fiscal years ending June 30, 2014 and 2013 were 18.89% and 19.55%, respectively.

(Continued)

BALLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 8 - Retirement Plans (Continued):

County Employees' Retirement System (CERS)

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions. At June 30, 2015, District reported a liability of \$2,637,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The district's proportion of the net pension liability was based on a projection of the district's share of contributions to the pension plan relative to the total contributions of the all participating employers, actuarially determined. At June 30, 2014, the district's proportion was .081289%.

As a result of its requirement to contribute to CERS, the District recognized pension expenses of \$211,000 for the year ended June 30, 2015. At June 30, 2015, District reported deferred outflows of resources and deferred inflows of resources from the following sources as a result of its requirements to contribute to CERS:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Net differences between projected and actual earnings on pension plan investments	\$ -	\$294,001
District contributions subsequent to the measurement date	<u>335,101</u>	<u>-</u>
Total	<u>\$ 335,101</u>	<u>\$294,001</u>

Deferred outflows of resources in the amount of \$335,101 related to pensions resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	
2016	\$ 73,501
2017	73,500
2018	73,500
2019	<u>73,500</u>
TOTAL	<u>\$294,001</u>

The net pension liability as of June 30, 2015, is based on the June 30, 2014, actuarial valuation for the first year of implementation. As a result, there are no differences between expected and actual experience or changes in assumptions subject to amortization. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period.

Actuarial assumptions. The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all prior periods included in the measurement:

- Inflation - 3.5%
- Salary increases - 4.5%, average including inflation
- Investment rate of return - 7.75%, net of pension plan investment expense including inflation

(Continued)

BALLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015

Note 8 - Retirement Plans (Continued):

County Employees' Retirement System (CERS)

Actuarial assumptions

The rates of mortality for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other members. The Group Mortality Table set forward five years is used for the period after disability retirement.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for KRS. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense, and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which cover a longer time frame. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

Discount rate. The discount rate determination does not use a municipal bond rate. Projected future benefit payments for all current plan members were projected through 2116. The target allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the following table:

<u>Asset</u>	<u>Target Allocation</u>	<u>Long-Term Nominal Class Rate of Return</u>
Domestic Equity	30%	8.45%
International Equity	22%	8.85%
Emerging Market Equity	5%	10.5%
Private Equity	7%	11.25%
Real Estate	5%	7%
Core US Fixed Income	10%	5.25%
High Yield US Fixed Income	5%	7.25%
Non US Fixed Income	5%	5.5%
Commodities	5%	7.75%
TIPS	5%	5%
Cash	<u>1%</u>	3.25%
Total	100%	

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from school districts will be made at contractually required rates (actuarially determined). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(Continued)

BALLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 8 - Retirement Plans (Continued):

County Employees' Retirement System (CERS)

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.
The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$3,470,539	\$2,637,321	\$1,901,155

Note 9 - Benefits Funded by Kentucky State Department of Education:

The Kentucky State Department of Education has indicated the following amounts were contributed on-behalf of the District for the year ended June 30, 2015:

Contributions to Kentucky Teachers' Retirement System	\$ 873,829
Technology	72,171
Debt Service	1,036,845
Health insurance, life insurance, flexible spending accounts (includes administrative fee)	<u>1,447,996</u>
TOTAL	<u>\$3,430,841</u>

These payments are recorded in the General, Debt Service, Food Service, and Child Care Centers Funds as revenue and expenditures in the statements of revenues, expenditures, and changes in fund balances and the statement of revenues, expenses, and changes in net position. The District is not legally responsible for these contributions. These payments are not budgeted by the District.

On-behalf contributions were charged to governmental functions as follows:

Instruction	\$1,107,794
Support services:	
Student	96,330
Instructional staff	48,165
District administration	192,660
School administration	168,577
Business	192,583
Plant operations and management	288,990
Student transportation	168,577
Debt service	<u>1,036,845</u>
Total governmental funds on-behalf	3,300,521
Food services	115,840
Child services	<u>14,480</u>
TOTAL ON-BEHALF CONTRIBUTIONS	<u>\$3,430,841</u>

(Continued)

BALLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 10 - Contingencies:

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

Note 11 - Insurance and Related Activities:

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

The District purchases unemployment insurance coverage through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. The District carries commercial insurance for all other risk of loss, including the workers compensation and liability coverage listed on page 51 of the supplemental data. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

Note 12 - COBRA:

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

Note 13 - Excess of Expenditures over Appropriations:

The Child Care Center fund has a deficit balance of \$53,703. Excluding the adjustment to net position for GASB 68 related to the net pension liability of \$95,538, the Child Care Center fund has a net position of \$41,835. The general fund had excess current year expenditures over current year appropriations totaling \$636,189. If on-behalf expenditures had been budgeted, current year expenditures would not have exceeded appropriations for the general fund.

Note 14 - Transfer of Funds:

The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	1	2	Operating	\$ 28,285
Operating	310	1	Debt Service	29,791
Operating	320	400	Debt Service	699,288

(Continued)

BALLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 15 - Change in Accounting Principles and Restatement of Beginning Net Position:

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which amends GASB Statement No. 27. The new standard addresses several issues regarding public pension plans, including the liabilities reported pertaining to unfunded portions and the disclosure requirements of those plans. The standard is effective for the District for the fiscal year beginning July 1, 2014. The new standard requires the District to report its proportionate share of the total net pension liability of the County Employee Retirement System Plan as a liability on the statement of net position and on the statement of revenues, expenses, and changes in net position for the proprietary food service fund. The standard also requires the deferral of changes in the net pension liability and amortization of those changes over set periods.

The District's proportionate share of the net pension liability and deferred outflows at July 1, 2014 was \$3,070,082 and \$350,081, respectively. These amounts are allocated to the governmental and business type funds based actual contributions for fiscal year 2014. Beginning net position at July 1, 2014, has been adjusted to reflect this.

Governmental Funds

Net position July 1, 2014, as previously stated		\$ 12,572,657
Proportionate share of net pension liabilities	\$(2,620,969)	
Deferred outflows		
Contributions made after the measurement date	<u>298,869</u>	
Adjustments to net position		<u>(2,322,100)</u>
NET POSITION JULY 1, 2014, AS RESTATED		<u>\$ 10,250,557</u>

Business-type Funds

Net position July 1, 2014, as previously stated		\$ 322,362
Proportionate share of net pension liability	\$(449,113)	
Deferred outflows		
Contributions made after the measurement date	<u>51,212</u>	
Adjustments to net position		<u>(397,901)</u>
NET POSITION JULY 1, 2014, AS RESTATED		<u>\$ (75,539)</u>

The net position at June 30, 2013 and related deferred outflows and inflows could not be determined in a practical manner. Therefore, net position at June 30, 2013 has not been restated and is presented based on previous guidance under GASB Statement No. 27.

REQUIRED SUPPLEMENTARY INFORMATION

BALLARD COUNTY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
From local sources:				
Taxes	\$ 3,375,000	\$ 3,660,000	\$ 3,777,250	\$ 117,250
Other	36,000	91,299	155,339	64,040
Intergovernmental - state	4,559,124	4,524,324	4,536,333	12,009
Intergovernmental - on-behalf	-	-	2,263,676	2,263,676
Intergovernmental - federal	74,690	87,393	112,726	25,333
Other sources	4,000	4,000	30,633	26,633
Total revenues	8,048,814	8,367,016	10,875,957	2,508,941
Expenditures:				
Instruction	5,000,649	4,894,627	5,547,638	(653,011)
Support services:				
Student	311,289	365,860	467,819	(101,959)
Instructional staff	192,584	160,492	213,271	(52,779)
District administration	1,423,454	1,757,597	946,619	810,978
School administration	687,040	691,374	859,440	(168,066)
Business	385,513	405,489	666,912	(261,423)
Plant operations and maintenance	1,155,103	1,253,710	1,448,842	(195,132)
Student transportation	646,044	800,030	816,542	(16,512)
Debt service	19,032	19,032	19,032	-
Other	25,000	30,000	28,285	1,715
Total expenditures	9,845,708	10,378,211	11,014,400	(636,189)
Excess (deficit) of revenues over expenditures and net change in fund balances	(1,796,894)	(2,011,195)	(138,443)	1,872,752
Fund balances, July 1, 2014	1,796,894	2,011,195	2,021,794	10,599
FUND BALANCES, JUNE 30, 2015	\$ -	\$ -	\$ 1,883,351	\$ 1,883,351

Note 1 - Benefits Funded by Kentucky State Department of Education:

The budget presented for the General Fund does not include on-behalf payments provided by the Kentucky State Department of Education. If on-behalf payments had been included, budgetary revenues would total \$10,630,692 and budgetary expenditures would total \$12,641,887.

BALLARD COUNTY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
From local sources	\$ -	\$ -	\$ 19,555	\$ 19,555
Intergovernmental - state	742,842	785,686	852,317	66,631
Intergovernmental - federal	746,121	1,259,572	1,065,565	(194,007)
Other sources	25,000	60,966	59,251	(1,715)
Total revenues	<u>1,513,963</u>	<u>2,106,224</u>	<u>1,996,688</u>	<u>(109,536)</u>
Expenditures:				
Instruction	811,027	1,280,771	1,185,643	95,128
Support services:				
Student	135,837	138,381	138,374	7
Instructional staff	234,500	236,895	221,489	15,406
School administration	20,673	7,751	5,455	2,296
Business	70,000	80,000	107,443	(27,443)
Plant operations and maintenance	85,852	104,890	108,490	(3,600)
Student transportation	79,537	148,868	90,797	58,071
Community service activities	76,537	77,702	108,031	(30,329)
Other	-	30,966	30,966	-
Total expenditures	<u>1,513,963</u>	<u>2,106,224</u>	<u>1,996,688</u>	<u>109,536</u>
Excess (deficit) of revenues over expenditures and net change in fund balances	-	-	-	-
Fund balances, July 1, 2014	-	-	-	-
FUND BALANCES, JUNE 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

BALLARD COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
COUNTY EMPLOYEES' RETIREMENT SYSTEM (CERS)
LAST FISCAL YEAR*

	2015
District's proportion of the net pension liability (asset)	0.081289%
District's proportionate share of the net pension liability (asset)	\$ 2,637,000
District's covered-employee payroll	\$ 1,864,589
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	141.43%
Plan fiduciary net position as a percentage of the total pension liability	66.80%

* The amounts presented for each fiscal year were determined as of June 30 of the prior year. Until a full 10-year trend is compiled, the District will present information only for those years for which information is available.

BALLARD COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
COUNTY EMPLOYEES' RETIREMENT SYSTEM (CERS)
LAST 10 FISCAL YEARS*

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Contractually required contribution	\$ 342,020	\$ 352,228	\$ 359,937	\$ 326,324	\$ 272,322	\$ 329,682	\$ 268,445	\$ 306,655	\$ 236,598	\$ 185,850
Contributions in relation to the contractually required contribution	<u>342,020</u>	<u>352,228</u>	<u>359,937</u>	<u>326,324</u>	<u>272,322</u>	<u>328,370</u>	<u>268,445</u>	<u>306,655</u>	<u>236,598</u>	<u>185,850</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ 1,312</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				
District's covered-employee payroll	\$1,935,747	\$1,864,589	\$1,841,111	\$1,721,119	\$1,608,519	\$2,040,114	\$1,988,486	\$1,896,385	\$1,793,770	\$1,692,620
Contributions as a percentage of covered-employee payroll	17.67%	18.89%	19.55%	18.96%	16.93%	16.16%	13.50%	16.17%	13.19%	10.98%

*The amounts presented for each fiscal year were determined as of June 30 of that fiscal year.

BALLARD COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
KENTUCKY TEACHERS' RETIREMENT SYSTEM (KTRS)
LAST FISCAL YEAR*

	2015
District's proportion of the net pension liability (asset)	0.0000%
State's proportion of the net pension liability (asset)	0.1804%
District's proportionate share of the net pension liability (asset)	\$ -
State's proportionate share of the net pension liability (asset) associated with the District	\$37,081,180
Total	\$37,081,180
District's covered-employee payroll	\$ 5,655,983
District's total payroll	\$ 7,570,741
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.00%
State's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	655.61%
Plan fiduciary net position as a percentage of the total pension liability	45.59%

* The amounts presented for each fiscal year were determined as of June 30 of the prior year. Until a full 10-year trend is compiled, the District will present information only for those years for which information is available.

BALLARD COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
KENTUCKY TEACHERS' RETIREMENT SYSTEM (KTRS)
LAST 10 FISCAL YEARS*

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Contractually required contribution	\$ 1,083,611	\$ 866,345	\$ 802,496	\$ 840,389	\$ 837,816	\$ 832,830	\$ 806,553	\$ 786,940	\$ 712,941	\$ 728,783
District Contributions in relation to the contractually required contribution - federal programs	93,462	82,155	81,585	99,756	104,010	90,650	63,786	63,717	57,148	58,012
District Contributions in relation to the contractually required contribution - retiree medical insurance hired after 09/01/08	116,320	76,395	49,005	22,252	10,247	-	-	-	-	-
State Contributions in relation to the contractually required contribution -	<u>873,829</u>	<u>707,795</u>	<u>671,906</u>	<u>718,381</u>	<u>723,559</u>	<u>742,180</u>	<u>742,767</u>	<u>723,223</u>	<u>655,793</u>	<u>670,771</u>
Contribution deficiency (excess)	<u>\$ -</u>									
District's covered-employee payroll	5,779,929	5,655,983	5,739,767	6,169,986	6,284,004	6,330,612	6,137,854	6,004,886	5,440,216	5,561,110
District's total payroll	7,768,199	7,570,741	7,711,804	8,352,253	8,393,860	8,457,173	8,233,472	8,074,593	7,364,829	7,366,734
Contributions as a percentage of covered-employee payroll for employees hired after 07/01/08**	15.355%	14.605%	14.105%	14.105%	14.105%	14.105%	14.105%	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll for employees hired before 07/01/08**	13.105%	13.105%	13.105%	13.605%	13.355%	13.105%	13.105%	13.105	13.105	13.105
Retiree medical insurance percentage	2.25%	1.50%	1.00%	0.50%	1.00%	N/A	N/A	N/A	N/A	N/A

* The amounts presented for each fiscal year were determined as of June 30 of the current year.

**Beginning with fiscal year ended June 30, 2009, KTRS rates are different based on the employee hire date. For all years prior to 2009, the rate is the same regardless of hire date.

OTHER SUPPLEMENTARY SCHEDULES AND SUPPORTING INFORMATION

BALLARD COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
DUE TO STUDENT GROUPS AND OTHERS
AGENCY FUNDS
BALLARD MEMORIAL HIGH SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Due to Student Groups and Others July 1, 2014	Revenues Actual (1)	Expenditures Actual (1)	Interfund Transfers	Due to Student Groups and Others June 30, 2015
All test	\$ -	\$ 1,403	\$ 1,208	\$ -	\$ 195
Art Club Fund	1,002	2,188	2,065	-	1,125
Athletic Fund	1,189	68,279	65,142	-	4,326
Beta Fund	1,632	5,198	4,561	-	2,269
Boys' Basketball	1,304	6,330	6,426	-	1,208
Cheerleader Fund	90	13,288	8,830	-	4,548
Chorus	918	7,771	7,493	-	1,196
FACS Fund	157	2,332	2,215	-	274
FCA Fund	-	183	146	-	37
FCCLA Fund	1,321	405	345	-	1,381
Football	75	500	530	-	45
Girls' Basketball Fund	1,153	2,177	3,564	-	(234)
Golf	204	-	-	-	204
Drama Club	1,310	2,302	1,169	-	2,443
Instructional Material Fund	527	-	5	-	522
John Walker Memorial	425	-	-	-	425
Library Fund	1,044	392	639	-	797
Math Department	145	-	-	-	145
Media	4,073	-	4,073	-	-
Parking Tags	523	140	363	-	300
Project Graduation	3,031	23,475	20,876	-	5,630
Science Department	310	-	-	-	310
Senior Class	-	3,580	2,226	-	1,354
Spanish Club Fund	281	-	-	-	281
Student Council Fund	980	7,305	6,429	-	1,856
Student Fund	5,536	2,368	8,199	-	(295)
Teachers' Fund	83	3,075	3,447	-	(289)
Teacher Supplies Activity	-	102	-	-	102
Track Fund	347	1,816	2,201	-	(38)
Volleyball	1,297	-	-	-	1,297
Will Mallory Memorial Fund	2,355	-	-	-	2,355
Yearbook Fund	9,983	8,794	8,343	-	10,434
TOTALS	\$ 41,295	\$ 163,403	\$ 160,495	\$ -	\$ 44,203

(1) There were no interfund transfers included in revenues and expenditures.

BALLARD COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
DUE TO STUDENT GROUPS AND OTHERS
AGENCY FUNDS
OTHER SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Ballard County Middle</u>	<u>Ballard County Elementary</u>	<u>Career and Technical Center</u>	<u>Preschool</u>	<u>Totals</u>
Due to student groups and others, July 1, 2014	<u>\$23,228</u>	<u>\$ 3,756</u>	<u>\$ 8,721</u>	<u>\$35,929</u>	<u>\$ 71,634</u>
Revenues:					
Student activities	<u>46,090</u>	<u>21,254</u>	<u>70,424</u>	<u>20,687</u>	<u>158,455</u>
Expenditures:					
Student activities	<u>49,680</u>	<u>17,918</u>	<u>61,687</u>	<u>22,622</u>	<u>151,907</u>
DUE TO STUDENT GROUPS AND OTHERS, JUNE 30, 2015	<u><u>\$19,638</u></u>	<u><u>\$ 7,092</u></u>	<u><u>\$17,458</u></u>	<u><u>\$33,994</u></u>	<u><u>\$ 78,182</u></u>

BALLARD COUNTY SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT DIFFERENCES
FOR THE YEAR ENDED JUNE 30, 2015

The District has state on-behalf amounts included in total revenue from state sources in the District's AFR as specified by the Kentucky Department of Education. These funds are reported as intergovernmental revenues - on-behalf or state grants - on-behalf in the financial statements. The District also has child nutrition donated commodities included in the total revenue from federal sources in the District's AFR. These funds are recorded as federal grants - in-kind commodities in the financial statements. The following is a reconciliation of the receipts reported in the District's AFR with that shown in the financial statements.

General Fund:

Revenue from state sources reported to the Department of Education	\$ 6,800,009
On-behalf/state sources	<u>(2,263,676)</u>
Amount per financial statements	<u><u>\$ 4,536,333</u></u>

Debt Service:

Revenue from state sources reported to the Department of Education	\$ 1,036,845
On-behalf/state sources	<u>(1,036,845)</u>
Amount per financial statements	<u><u>\$ -</u></u>

Food Service:

Revenue from state sources reported to the Department of Education	\$ 128,243
On-behalf/state sources	<u>(115,840)</u>
Amount per financial statements	<u><u>\$ 12,403</u></u>
Revenue from federal sources reported to the Department of Education	\$ 792,797
In-kind donated commodities	<u>(56,523)</u>
Amount per financial statements	<u><u>\$ 736,274</u></u>

Child Care Center:

Revenue from state sources reported to the Department of Education	\$ 14,480
On-behalf/state sources	<u>(14,480)</u>
Amount per financial statements	<u><u>\$ -</u></u>

BALLARD COUNTY SCHOOL DISTRICT
SCHEDULE OF ACCOUNTS RECEIVABLE
JUNE 30, 2015

General Fund:

Accounts receivable reported in the District's annual financial report to the State Department of Education, Division of Finance	\$127,911
--	-----------

Additional accounts receivable recorded subsequent to the annual financial report:

Commonwealth of Kentucky- Medicaid reimbursement	3,107
Commonwealth of Kentucky - HOSA conference reimbursement	1,700
Kentucky Department of Revenue - omitted property tax	228
Kentucky Department of Revenue - motor vehicle tax	8,586
Ballard County Sheriff - franchise tax and interest	2,888
Ballard County Football Boosters - van use	71
Murray Board of Education Head Start - long distance reimbursement	54
Purchase District Health Department - MCO	8,925
Pepsi Mid-America - commissions	240
	240

TOTAL ACCOUNTS RECEIVABLE	<u><u>\$153,710</u></u>
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BALLARD COUNTY SCHOOL DISTRICT
SCHEDULE OF ACCOUNTS PAYABLE
JUNE 30, 2015

General Fund:

Accounts payable reported in District's annual financial report to the State Department of Education, Division of Finance	\$ 3,180
Additional accounts payable recorded subsequent to the annual financial report:	
Dell Marketing - computer equipment	30,720
Business Card - supplies and other purchased services	2,474
LaCenter Water - utilities	1,695
RTE Therapy Services - professional services	4,824
Barco Products - supplies	1,490
Midwest Terminal - supplies	16,481
Premier Fire Protection - professional services	1,734
Whayne Supply - supplies	1,341
Houghton Mifflin School - supplies	<u>1,950</u>
TOTAL ACCOUNTS PAYABLE	<u><u>\$65,889</u></u>

BALLARD COUNTY SCHOOL DISTRICT
SCHEDULE OF INSURANCE COVERAGE
 JUNE 30, 2015

	<u>Expires</u>	<u>Amount of Coverage</u>
Fire and Extended Coverage - 90%		
Co-Insurance:	7/1/15	\$ 75,633,426
Collision, Comprehensive, and Property Damage:		
School buses and other vehicles:		
Liability	7/1/15	\$ 2,000,000
Uninsured motorist	7/1/15	500,000
Underinsured motorist	7/1/15	500,000
Educator's Legal Liability (Errors and Omissions):		
Ballard County Board of Education, Superintendent, Board Members and employees	7/1/15	1,000,000
General Liability:		
Ballard County Board of Education, Superintendent and employees	7/1/15	2,000,000
Umbrella Coverage	7/1/15	5,000,000
Workmen's compensation insurance	7/1/15	Statutory
Blanket fidelity bond - all employees	7/1/15	25,000
Equipment Floater	7/1/15	25,490
Employee Benefits Liability	7/1/15	3,000,000
Sexual Misconduct & Molestation Liability	7/1/15	1,000,000
General Liability:		
Treasurer's bond	6/30/15	\$300,000
Weight wagon - vocational school		
1 Acre Farm	2/27/16	5,000
Depository Bonds:		
Regions Bank:		
U.S. Government Securities	6/30/15	103% of daily deposits above FDIC insured limits

**MEMBERS OF THE BALLARD COUNTY BOARD OF EDUCATION
AS OF JUNE 30, 2015**

<u>Name</u>	<u>Address</u>	<u>Date Elected</u>	<u>Term Expires</u>
Haskell Sheeks Chair	2012 Deerfield Lane Wickliffe, Kentucky	November 2011	December 2017
Karen Tilford Vice Chair	868 E Clarkline Road Kevil, Kentucky	November 2011	December 2017
Kent Gordon	436 Gordon Lane LaCenter, Kentucky	June 2013	December 2017
Cara Hunt Mills	1332 Batta Road Wickliffe, Kentucky	January 2013	December 2016
Tammy Dennis	1935 Borden Road Wickliffe, Kentucky	January 2013	December 2016

Other Officials:

Casey Allen, Superintendent and Secretary of the Board

Kim Bailey, Treasurer of the Board

BALLARD COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures	Totals
U.S. Department of Education:				
Passed-through Kentucky Department of Education:				
		3810002 12	\$ 58	
		3810002 13	149,023	
Special Education - Grants to States (IDEA, Part B)	84.027	3810002 14	<u>184,836</u>	\$ 333,917
		3800002 13	54,193	
Special Education - Preschool Grants (IDEA Preschool)	84.173	3800002 14	<u>4,198</u>	<u>58,391</u>
Special Education Cluster Sub-Total				392,308
		3100002 13	59,103	
Title I Grants to Local Educational Agencies (LEAs)	84.010	3100002 14	<u>266,403</u>	325,506
		3230002 13	17,461	
Improving Teacher Quality State Grants	84.367	3230002 14	<u>6,343</u>	23,804
		3140002 13	3,591	
Rural Education	84.358	3140002 14	<u>20,319</u>	23,910
		4621310 13	550	
Career and Technical Education - Basic Grants to States (Perkins IV)	84.048	3710002 13	8,186	
		3710002 14	<u>14,353</u>	23,089
		3400002 12	73,834	
Twenty-First Century Community Learning Centers	84.287	3400002 13	<u>200,499</u>	274,333
		3960002 11	2,614	
Race to Top	84.414	3960002 11	<u>2,614</u>	<u>2,614</u>
Total U.S. Department of Education				<u>1,065,564</u>
U.S. Department of Agriculture:				
Passed-through Kentucky Department of Agriculture:				
		7760005 14	59,258	
School Breakfast Program	10.553	7760005 15	<u>420,174</u>	479,432
		7750002 14	109,335	
National School Lunch Program	10.555	7750002 15	<u>147,507</u>	
		2015	36,523	
National School Lunch Program - Non-monetary Food Distribution (1)	10.555	2015	<u>36,523</u>	<u>293,365</u>
Child Nutrition Cluster Sub-Total				<u>772,797</u>
		2015	20,000	
Fresh Fruit & Vegetable Program	10.582	2015	<u>20,000</u>	<u>20,000</u>
Total U.S. Department of Agriculture				<u>792,797</u>
U.S. Department of Health and Human Services:				
Passed-through Murray, KY Board of Education:				
Head Start	93.600	6554	<u>67,393</u>	<u>67,393</u>
TOTAL FEDERAL AWARDS				<u>\$1,925,754</u>

BALLARD COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

- (1) Expense recognized is the total dollar value of commodities used during the year. Amounts are based on dollar values reported by the State Department of Agriculture. This amount is included in the combined statement of revenues, expenditures, and changes in net position.

Note 1 - Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Ballard 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 financial statements.

Note 2 - Federal Awards Reconciliation:

In March 2012, the Ballard County School District issued School Building Revenue Bonds which are Build America Bonds. The United States Treasury will pay the semi-annual interest on these bonds directly to the issuer or its designee paying agent and be applied only to the payment of interest due on the bonds or reimbursement to the issuer for such payment. Interest subsidy payments are reported as intergovernmental federal revenues and interest expense on the Statement of Revenues, Expenditures, and Changes in Fund Balances. However, they are not required to be reported on the Schedule of Expenditures of Federal Awards. Federal revenues reflected in the general fund include reimbursements for Medicaid claims and are not included in the Schedule of Expenditures of Federal Awards.

Federal revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance Governmental Funds	\$1,219,219
Federal grants as reported on the Statement of Revenues, Expenses, and Changes in Fund Net Position Proprietary Fund	736,274
Federal grants - in-kind commodities as reported on the Statement of Revenues, Expenses, and Changes in Fund Net Position Proprietary Fund	<u>56,523</u>
Total federal expenditures	2,012,016
Less federal interest subsidy	(40,928)
Less Medicaid claims	<u>(45,334)</u>
TOTAL FEDERAL AWARDS	<u>\$1,925,754</u>

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

Kentucky State Committee for
School District Audits
Members of the Board of Education
Ballard County School District
Barlow, Kentucky

We have audited, 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 including *Appendix I to the Independent Auditor's Contract - Audit Extension Request and Appendix II to the Independent Auditor's Contract - Instructions for Submission of the Audit Report, Audit Acceptance Statement and Statement of Certification*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ballard County School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Ballard County School District's basic financial statements, and have issued our report thereon dated November 3, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Ballard 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 Ballard County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Ballard 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 Ballard County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations prescribed by the Kentucky State Committee for School District Audits in *the Independent Auditor's Contract*.

We noted certain matters that we reported to management of Ballard County School District in a separate report letter dated November 3, 2015.

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.

Williams, Williams + Luty, LLP

Paducah, Kentucky
November 3, 2015

J. DAVID BAILEY, III
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Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

Kentucky State Committee for
Audits of School Districts
Members of the Board of Education
Ballard County School District
Barlow, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Ballard 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 Ballard County School District's major federal programs for the year ended June 30, 2015. Ballard 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 Ballard County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the audit requirements prescribed by the Kentucky State Committee for School District Audits including *Appendix I to the Independent Auditor's Contract - Audit Extension Request*, and *Appendix II to the Independent Auditor's Contract - Instructions for Submission of the Audit Report, Audit Acceptance Statement and Statement of Certification*. 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 Ballard 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 Ballard County School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Ballard 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, 2015.

Report on Internal Control Over Compliance

Management of Ballard 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 Ballard 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 Ballard 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.

Williams, Williams + Luty, LLP

Paducah, Kentucky
November 3, 2015

BALLARD COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

A. Summary of Audit Results:

1. The auditor's report expresses an unmodified opinion on the financial statements of the Ballard County School District.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditor's Report.
3. No instances of noncompliance material to the financial statements of the Ballard County School District which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditor's Report On Compliance for Each Major Program and On Internal Control Over Compliance Required by OMB Circular A-133.
5. The auditor's report on compliance for the major federal awards programs for the Ballard County School District expresses an unmodified opinion on all major federal programs.
6. There are no audit findings required to be reported in accordance with Section 510(a) of OMB Circular A-133.
5. The programs tested as major programs included:

Name	CFDA #
Cluster:	
School Breakfast Program	10.553
National School Lunch Program	10.555
National School Lunch Program - Non-monetary Food Distribution	10.555
 Cluster:	
Title I Grants to Local Educational Agencies (LEAs)	84.010

6. The threshold for distinguishing between Type A and B programs was \$300,000.
7. The Ballard County School District did not qualify to be a low-risk auditee.

B. Findings - Financial Statements Audit:

None

C. Findings and Questioned Costs - Major Federal Programs:

None

BALLARD COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2015

There are no prior year findings to report.

BALLARD COUNTY SCHOOL DISTRICT



MANAGEMENT LETTER
YEAR ENDED JUNE 30, 2015

J. DAVID BAILEY, III
C. SUZETTE CRONCH
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Ballard County School District
Members of the Board
Barlow, Kentucky

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ballard County School District as of and for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered Ballard County School District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. We also noted immaterial instances of noncompliance with applicable laws and regulations which we are required to report to you. These comments and recommendations, most of which have been discussed with the appropriate members of management, are intended to help the District comply with applicable laws and regulations, improve the internal control, or result in other operational efficiencies. This letter does not affect our report dated November 3, 2015 on the financial statements of Ballard County School District.

SEGREGATION OF DUTIES

Finding: As previously noted, the proper segregation of duties does not exist.

Criteria: This District is small and it is not feasible to hire additional staff necessary to provide the proper segregation of duties.

Cause: The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties.

Effect: Weaknesses in internal controls can create the possibility for the misappropriation of assets and/or fraudulent financial reporting.

Recommendation: Lack of proper segregation of duties dictates that the board continues to be involved in the financial affairs of the District to provide oversight and independent review functions. The Superintendent should review journal entries in addition to the year-to-date budget reports received each month.

Management's Response: The board will continue to be involved in the financial affairs of the District to provide oversight and independent review functions. The superintendent will review journal entries in addition to the year to date budget reports received each month.

CREDIT CARD DISBURSEMENTS

Finding: Purchase orders were dated and approved after the invoice/purchase date. Purchase orders are not filled out completely prior to approval.

Criteria: Purchase orders are prepared on a 3-part form for most goods. For site-based funds, the principal issues an approved purchase order from the teachers' written purchase request. For programs, such as IDEA or Title I, the program coordinator issues an approved purchase order from either a written or verbal request. For district purchases, purchase orders are approved by the Superintendent. When a purchase order is approved, one copy is sent to the vendor, one copy to the accounts payable clerk, and one copy is retained.

Purchase orders should be filled out completely including: school, date, vendor name, name of individual/department making request, function, account code, quantity, description, estimated amount, and signature of approval.

Cause: There was a breakdown in internal controls over purchases.

Effect: Purchase order procedures serve as an approval mechanism for management. Approval before the purchase is made allows management to ensure that appropriate funds are available and that purchases are for allowed expenditures. Weakness in this internal control could serve as a way to misappropriate funds.

Recommendation: The individuals in charge of purchases should always make sure there is a complete and appropriately approved purchase order prior to purchase.

Management's Response: The individual in charge of the purchase will make sure there is a complete and approved purchase order prior to purchase.

Finding: It appears individuals are approving their own credit card disbursements for payment.

Criteria: The individual whose name is on the card is approving the statements for payment or there is no approval at all.

Cause: There was breakdown in internal controls over credit card disbursements.

Effect: Approval for payment serves as an internal control for management to ensure that disbursements are made for approved purchases. Weakness in this internal control could serve as a way to misappropriate funds.

Recommendation: The department heads should be approving purchases made by employees in their department. The Superintendent should be approving purchases made by the department heads. The board should be approving purchases by the Superintendent. An individual should not be approving their own credit card statements. Approval can be noted by initialing the statement.

Management's Response: Individuals will no longer be approving their own credit card statements.

All other prior year comments appear to have been properly addressed.

ACTIVITY FUNDS

The following findings on the activity funds are listed by school in order to ensure the personnel in charge obtain the appropriate recommendations.

Ballard Memorial High School

Finding: We noted several old outstanding checks. This is a repeat comment from the prior year.

Criteria: Old outstanding checks greater than 90 days should be investigated to determine if checks should be voided as a negative disbursement and/or reissued.

Cause: The checks may not have been cashed for several reasons, including but not limited to, misplacement of check or check was lost in route to vendor through the mail.

Effect: These checks could represent errors in bank reconciliations or methods of covering up fraudulent activity. These checks could also represent overdue bills if vendors never received payment.

Recommendation: Outstanding checks greater than 90 days old should be investigated to see if they need to be voided and/or reissued.

Management's Response: We will investigate all outstanding checks to see if they need to be reissued or voided.

Finding: Several activity fund accounts had excessive balances at year end. This is a repeat comment from the prior year.

Criteria: According to "Accounting Procedures for Kentucky School Activity Funds," (the Redbook), school activity funds are raised for a specific function or purpose during a specific fiscal year and must be used for that specific function during that period. Due to timing of fundraiser activities, a school may carry forward funds from year to year. However, the carry over balances should not be excessive and should be associated with a specific expense that was not paid by the end of the fiscal year. If extra funds were raised over expenditures, the activity fund group should vote on how to handle the extra funds at year end.

Cause: Fees and fundraising receipts were more than actual expenditures.

Effect: Activity funds are intended for the use of the students that actually paid or raised the funds. Excessive funds could cause the student organization to be prohibited from fundraising until excessive fund/balances have been appropriately used.

Recommendation: Principal and central fund treasurer should evaluate activity fund balances on a regular basis, especially year end, for excessive amounts and evaluate if the specific student organization should be prohibited from fundraising until the excessive balance have decreased appropriately or if the funds should be transferred to the general fund for the benefit of the entire student body. The senior class should vote for what to do with the remaining balance in the senior class account at the end of each year. If funds are related to a specific expense not paid by year end, a payable should be noted on the accounts payable form.

Management's Response: Principal and treasurer will evaluate activity fund balances at the year end to check for excessive balances and to determine if the student organization will be prohibited from fundraising until the excessive balance is decreased appropriately OR if the funds should be transferred to the general fund to benefit the entire student body.

Finding: Four accounts had negative balances on the annual financial report at June 30, 2015.

Criteria: According to "Accounting Procedures for Kentucky School Activity Funds," (the Redbook), no activity fund account may end the fiscal year with a negative balance.

Cause: The girls' basketball and track had permission to spend more than collected if they fundraise to cover the expense. The student and teacher funds are to be reimbursed by the district.

Effect: Proper procedures for transferring funds to cover excess expenses were not followed.

Recommendation: Funds should be transferred from another activity fund, usually the general fund, to cover any excess expenses at year end. Funds can be transferred back to the other activity fund as the funds become available through fundraising.

Management's Response: Funds will be transferred from another activity fund to cover any excess expenses at the year end.

Finding: One purchase order was dated and approved after the invoice/purchase date. This is a repeat comment from the prior year.

Criteria: Purchase requests are submitted to the CFT by the teacher/sponsors. The CFT prepares the purchase order for approval from the principal. Purchase orders are to be approved prior to any purchase made.

Cause: There was a breakdown in internal controls over purchases.

Effect: Purchase order procedures serve as an approval mechanism for management. Approval before the purchase is made allows management to ensure that appropriate funds are available and that purchases are for allowed expenditures. Weakness in this internal control could serve as a way to misappropriate funds.

Recommendation: The individuals in charge of purchases should always make sure there is a complete and appropriately approved purchase order prior to purchase.

Management's Response: No purchases will be made before a purchase order is approved.

Finding: Supporting documentation could not be located for four out of thirty disbursements selected for testing.

Criteria: For each purchase, there should be documentation to support the authorization for purchase, the purchase order, the canceled invoice, the approval for payment, and the canceled check stub.

Cause: There was a breakdown in internal controls over purchase documentation. It is not known if the documentation was ever obtained or if it was misplaced.

Effect: Supporting documentation serves as an internal control for the appropriate use of activity funds for allowed expenditures. It provides support for the existence and the approval of the payments made. Weakness in this internal control could serve as a way to misappropriate funds.

Recommendation: The treasurer should make sure all supporting documentation exists and the appropriate approvals are obtained prior to making a payment. All documentation should be filed together in a specific manner whether by vendor, check number, etc.

Management's Response: The treasurer will make sure all supporting documentation exists and make sure that the appropriate approvals are obtained prior to making a payment. All documentation will be filed together in a specific manner.

Finding: The teacher/sponsor appears to be completing the multiple receipt forms with students' names instead of student signing their own name. This is a repeat comment from the prior year.

Criteria: According to "Accounting Procedures for Kentucky School Activity Funds," (the Redbook), students third grade and above must sign the Multiple Receipt Form.

Cause: There may be a lack of adequate training and knowledge with regard to the guidance governing school activity funds.

Effect: Student signatures provide verification from the student that they actually remitted a certain amount of funds to the teacher.

Recommendation: Teachers/sponsors should allow students to fill out the multiple receipt form with their signatures and the amount paid. The teacher should verify the amount is correct.

Management's Response: Teachers and sponsors will allow students to fill out Multiple Receipt Form themselves and sign it. Teachers will verify the amount and signatures for accuracy.

Finding: Two disbursements were made to purchase operational items from activity funds.

Criteria: According to "Accounting Procedures for Kentucky School Activity Funds," (the Redbook), all expenditures from activity funds must directly benefit the students. Maintenance, operational, and instructional costs are not allowed to be purchased from activity funds.

Cause: There may be a lack of adequate training with regard to the guidance governing school activity funds.

Effect: Funds meant to directly benefit the students are being used for other purposes.

Recommendation: Extra care should be used in identifying which expenditures are prohibited from being paid out of activity funds. These expenditures should be paid from site-based money or district activity funds.

Management's Response: Operational items will be paid from site-based money or from district activity funds.

Finding: Several invoices were not properly cancelled.

Criteria: According to "Accounting Procedures for Kentucky School Activity Funds," (the Redbook), each invoice should be properly cancelled using a paid stamp on the actual invoice, including the check number, amount, and an authorization for payment noted by a signature or initials.

Cause: This was due to a break down in internal controls over payment of invoices.

Effect: When invoices are not properly cancelled, the risk for duplicate payment increases as well as the risk of unauthorized purchases.

Recommendation: Invoices should be viewed along with the checks for payment and canceled at the time the checks are signed.

Management's Response: Invoices will be properly cancelled. Invoices will be viewed along with the checks for payment and cancelled at the time the checks are signed.

Finding: Three receipts were entered into the Receipt Journal using different dates than were listed on the actual receipts.

Criteria: Entries in the Receipt Journal should accurately reflect the actual receipts issued.

Cause: There may be a lack of adequate training with regard to the guidance governing school activity funds.

Effect: When dates are not entered correctly, the daily balances for activity fund accounts may not be accurately representative of their true balances. Using different dates could also be a method of misappropriating funds.

Recommendation: Receipts should be carefully reviewed for accuracy as they are being entered into the Receipts Journal.

Management's Response: Receipts will be carefully reviewed for accuracy as they are being entered into the Receipts Journal.

Finding: Two receipts for money collected from students were not remitted timely by teachers to the treasurer.

Criteria: According to "Accounting Procedures for Kentucky School Activity Funds," (the Redbook), all money collected by a teacher or sponsor should be turned in to the school treasurer on the day of collection or, if the money is collected after school business hours, on the next business day.

Cause: There may be a lack of adequate training with regard to the guidance governing school activity funds.

Effect: Procedures for remitting monies to the school treasurer serve to provide reassurance that money is properly accounted for within the activity funds in a timely manner. Weakness in this internal control could serve as a way to misappropriate or misplace student funds.

Recommendation: Teachers and sponsors should turn in all monies collected from students on the day of collection or the next business day to the school treasurer.

Management's Response: Teachers or sponsors will turn in all monies collected from students on the day of the collection or the next business day to the school treasurer.

Finding: There was no External Booster budget or annual financial report on file.

Criteria: According to "Accounting Procedures for Kentucky School Activity Funds," (the Redbook), the external support/booster organization must submit an annual budget worksheet to the principal within the first thirty days of the school year or within thirty days of the first transaction of the group. The budget should

contain, at a minimum, estimated revenues from admissions, fundraisers, dues, concession sales, and other categories and expenditures by category. They should also submit an annual financial report for the fiscal year ending June 30th to the principal by July 15th. The report should contain, at a minimum, cash beginning balance, cash ending balance, and revenues and expenditures by category.

Cause: There may be a lack of adequate training with regard to the guidance governing external support/booster organizations.

Effect: The school may disassociate with any external support/booster organization that does not comply with the external support/booster organization section in the Redbook.

Recommendation: The individuals in charge of the external booster should be properly trained as to the guidance governing external support/booster organizations in the Redbook.

Management's Response: An External Booster budget or an annual financial report will be kept on file.

Finding: Gate money collected from one football game was not deposited timely.

Criteria: According to "Accounting Procedures for Kentucky School Activity Funds," (the Redbook), all monies collected should be deposited on a daily basis. If the money is collected after school business hours, then the money should be deposited on the next business day.

Cause: There may be a lack of adequate training with regard to the guidance governing school activity funds.

Effect: The daily deposit of collected money serves to provide reassurance that money is properly accounted for within the activity funds in a timely manner. Weakness in this internal control could serve as a way to misappropriate or misplace student funds.

Recommendation: All money collected should be deposited on the day of collection. If money is collected after school business hours, then it should be kept in the school safe overnight and deposited the next day. Monies totaling less than \$100 may be deposited on a weekly basis, and no longer than a week should pass between collection and deposit of the money.

Management's Response: All money collected will be deposited on the day of collection. If money is collected after school hours, it will be kept in the school safe overnight and will be deposited the next day. On monies totaling less than \$100, no longer than a week will pass between collection and deposit of the money.

All other prior year recommendations appear to have been properly addressed.

Ballard County Middle School

Finding: One purchase order was dated and approved after the invoice/purchase date. This is a repeat comment from the prior year.

Criteria: Purchase requests are submitted to the CFT by the teacher/sponsors. CFT prepares the purchase order for approval from the principal. Purchase orders are to be approved prior to any purchase made.

Cause: There was a breakdown in internal controls over purchases.

Effect: Purchase order procedures serve as an approval mechanism for management. Approval before the purchase is made allows management to ensure that appropriate funds are available and that purchases are for allowed expenditures. Weakness in this internal control could serve as a way to misappropriate funds.

Recommendation: The individuals in charge of purchases should always make sure there is a complete and appropriately approved purchase order prior to purchase.

Management's Response: Any discrepancies with the dates will be noted on the PO's.

Finding: The initials of the individual receiving goods were not found on invoice or shipping/packing slip for one disbursement.

Criteria: When the goods and the invoice arrive, the person who placed the order checks the items received against the invoice and purchase order. The packing slip/invoice is dated and initialed and any overage or shortage noted.

Cause: There was a breakdown in internal controls over purchases and disbursements.

Effect: This internal control serves to provide accountability and reassurance that all goods ordered/purchased were actually received. This mitigates the risk of paying an invoice for which items have not yet been received. It also mitigates the risk of unauthorized purchases through the District that may be shipped to another location. A weakness in this internal control could serve as a way to misappropriate assets.

Recommendation: The individuals in charge of disbursements should always make sure there is proper documentation and approvals prior to disbursing funds.

Management's Response: Invoices will not be entered for payment until the purchaser has initialed the invoice/packing slip.

Finding: One disbursement was made to purchase stamps/postage from activity funds.

Criteria: According to "Accounting Procedures for Kentucky School Activity Funds," (the Redbook), all expenditures from activity funds must directly benefit the students. Maintenance, operational, and instructional costs are not allowed to be purchased from activity funds.

Cause: There may be a lack of adequate training with regard to the guidance governing school activity funds.

Effect: Funds meant to directly benefit the students are being used for other purposes.

Recommendation: Extra care should be used in identifying which expenditures are prohibited from being paid out of activity funds. These expenditures should be paid from site-based money or district activity funds.

Management's Response: This error has been noted. Stamps were just purchased for FY15-16 from the Site Based account.

Finding: Two invoices were not properly cancelled.

Criteria: According to "Accounting Procedures for Kentucky School Activity Funds," (the Redbook), each invoice should be properly cancelled using a paid stamp on the actual invoice, including the check number, amount, and an authorization for payment noted by a signature or initials.

Cause: This was due to a break down in internal controls over payment of invoices.

Effect: When invoices are not properly cancelled, the risk for duplicate payment increases as well as the risk of unauthorized purchases.

Recommendation: Invoices should be viewed along with the checks for payment and canceled at the time the checks are signed.

Management's Response: A new standard operating procedure will be implemented to assure that all invoices are properly cancelled.

Finding: Three activity fund accounts had excessive ending balances.

Criteria: According to "Accounting Procedures for Kentucky School Activity Funds," (the Redbook), school activity funds are raised for a specific function or purpose during a specific fiscal year and must be used for that specific function during that period. Due to timing of fundraiser activities, a school may carry forward funds from year to year. However, the carry over balances should not be excessive and should be associated with a specific expense that was not paid by the end of the fiscal year. If extra funds were raised over expenditures, the activity fund group should vote on how to handle the extra funds at year end. If the activity fund group does not vote, the funds shall be transferred to the school general activity fund account. It is permissible to leave a balance in the account sufficient to cover startup costs for the next year.

Cause: Fees and fundraising receipts were more than actual expenditures.

Effect: Activity funds are intended for the use of the students that actually paid or raised the funds. Excessive funds could cause the student organization to be prohibited from fundraising until excessive fund/balances have been appropriately used.

Recommendation: Principal and Central Fund Treasurer should evaluate activity fund balances on a regular basis, especially year end, for excessive amounts and evaluate if the specific student organization should be prohibited from fundraising until the excessive balances have decreased appropriately or if the funds should be transferred to the general fund for the benefit of the entire student body. At the end of each year, the accounts should be evaluated to see if it is necessary for the student group to vote on how to handle any remaining unspent funds.

Management's Response: Year end balances were not evaluated due to being in between financial secretaries. After reviewing the cheerleading account, money was collected for camp and clothing before the school was invoiced for these items. The choir account has a large balance due to increase travel and fees for FY15-16. The athletic account will be divided into sub accounts for baseball, softball, football, soccer, boys basketball and girls basketball.

All other prior year recommendations appear to have been properly addressed.

Ballard County Elementary School

All prior year recommendations appear to have been properly addressed.

Ballard County Preschool

Finding: The budget did not properly foot and cross foot.

Criteria: According to “Accounting Procedures for Kentucky School Activity Funds,” (the Redbook), a budget should be prepared for all activity funds for the school year unless the school has been specifically exempted by regulations of the board. Budgets provide a guide for the coming year’s revenues and expenditures. This helps the Principal, Central Fund Treasurer, and corresponding sponsor have an approximation of the funding that will be available so they may plan activities accordingly. Budgets also provide a reasonable estimate that can be compared to the actual numbers and allow for any large discrepancies to be investigated.

Cause: This could be due to a mathematical error. Adequate time and effort was not spent on preparing the budget.

Effect: Estimated balance of the Swift and Staley account was not representative of the estimated receipts and expenditures listed on the budget.

Recommendation: For each individual account listed on the budget, and in total, the beginning balance plus budgeted receipts less budgeted expenditures should equal the ending budgeted balance. An excel spreadsheet with formulas would be helpful in preparing the budget.

Management’s Response: Family Focus Director and Family Focus Assistant Director will both tally the budget sheet to ensure accuracy of the tabulations. They will foot and cross foot in future reports.

All prior year recommendations appear to have been properly addressed.

Ballard County Vocational School

Finding: Multiple Receipt Forms are being filled out by teachers for students 3rd grade and above.

Criteria: According to “Accounting Procedures for Kentucky School Activity Funds,” (the Redbook), students 3rd grade and above must sign the Multiple Receipt Form.

Cause: A breakdown in internal controls over secondary and primary receipts.

Effect: Students 3rd grade and above should sign their own name on the Multiple Receipt Forms to show that they actually turned in funds to the teacher/sponsor. The student signature is proof that that student actually turned in funds. If there were a discrepancy in who had or had not turned in funds, the teacher filled out Multiple Receipt Form would not provide sufficient proof without the signatures of the students.

Recommendation: The teacher/sponsor should allow the student to fill out the Multiple Receipt Form with the student signature with the amount remitted. The teacher should double check the amount and the signature to verify accuracy.

Management’s Response: The student will fill out and sign all Multiple Receipt forms. The teacher will then verify amount and student signature to ensure accuracy.

All prior year recommendations appear to have been properly addressed.

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We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. This communication is intended solely for the information and use of the Board, management, and others within the organization as deemed appropriate, and is not intended to be, and should not be, used by anyone other than these specified parties.

Williams, Williams + Luty, LLP

Paducah, Kentucky
November 3, 2015