

Bowling Green Independent School
District

Financial Statements

June 30, 2015



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Bowling Green Independent School District
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June 30, 2015

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TAB: THOUGHT LEADERSHIP
Join Our Conversation



REPORT





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Independent Auditors' Report

Kentucky State Committee for School District Audits
Members of the Board of Education
Bowling Green Independent School District
Bowling Green, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Bowling Green Independent School District (the "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.

Auditors' Responsibility

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

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

expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Emphasis of Matter

As described in Note 1 to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement 27 and GASB Statement No. 71 Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement 68. 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, and select pension information on pages 4 through 20 and 70 through 75 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2015 on our consideration of Bowling Green Independent School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC
Bowling Green, Kentucky
November 6, 2015



FINANCIAL STATEMENTS



**BOWLING GREEN INDEPENDENT SCHOOL
DISTRICT
BOWLING GREEN, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(MD&A)
YEAR ENDED JUNE 30, 2015**

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

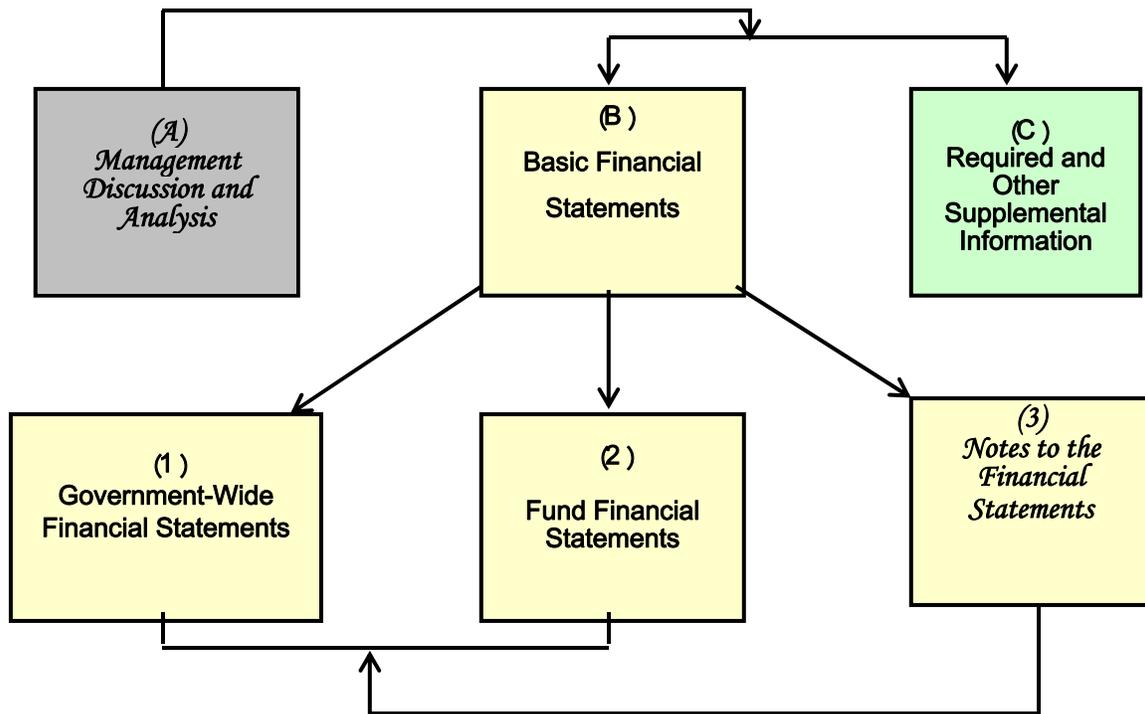
FINANCIAL HIGHLIGHTS

- The 2015 beginning fund balance for the District's General Fund was \$3,355,681. Fund balance at the year-end was \$3,872,841. This represents a current year excess of revenues over expenditures (surplus) of \$517,160.
- Property assessments certified by the Commissioner of Education showed total real estate and personal property valuation at \$1,267,248,211. The Board did not increase the 2014-15 real estate and personal property tax rate. The tax rate remained at 75.6 cents per \$100 of assessed property. At this rate, the calculated collection should yield \$9,580,396. The actual collections were \$9,648,599 for a collection rate of 100.7%. Collections were more than calculated due to a large amount of PSC tax billed late in the previous fiscal year.
- The Capital Outlay (SEEK) and Building (FSPK) Funds decreased by \$107,904 from \$637,484 to \$529,580. Of this amount, \$126,398 was restricted for future construction projects due to prior SFCC offers of assistance.
- The District's net position decreased by \$7,078,285 or 22.59% (from \$31,338,488 to \$24,260,203). The District's net position was negatively impacted by the recently issued and adopted GASB Statement No. 68; GASB Statement No. 71; and amended GASB Statement No. 27. The result of implementation of GASB 68 resulted in a reduction of beginning net position by \$7,863,000 (See Note 1 section – Recently Issued and Adopted Accounting Pronouncements on page 49 of this report. The restated net position - beginning balance results in Governmental activities net position increasing by \$770,185 and Food Service activities net position increasing by \$14,530.
- District revenues increased by 10.1%, while district expenditures increased by 10.2%. Revenues still exceeded expenditures by \$784,715.
- The District continues to invest in its facilities as evidenced by renovations to W.R. McNeill Elementary School's kitchen and cafeteria during the 2014-2015 school year. Bonds were issued during the year for \$2,190,000 for this project. Bonds were also issued to refund the 2005 bond issue. This advanced refunding resulted in saving of \$387,943 in total debt service payments of the next 5 years.

Overview of Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Bowling Green Independent School District as a financial whole, an entire operating entity, in a manner similar to a private-sector business. The annual report consists of three parts: (A) management's discussion and analysis (this section), (B) the basic financial statements and note disclosures, and (C) required and other supplemental information. The statements then proceed to provide an increasingly detailed look at specific financial activities. The District's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Organization of the Financial Statements



The Government-Wide Financial Statements have two sections (1) the *Statement of Net Position* and (2) the *Statement of Activities*. The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's major funds with all other non-major funds presented in total in one column.

Government-Wide Financial Statements (Reporting the School District as a Whole)

One of the most important questions asked about the School District is “How did we do financially during the current fiscal year?” The *Statement of Net Position* and the *Statements of Activities*, which appear first in the School District’s financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year’s revenues and expenses regardless of when cash is received or paid.

These two statements report the School District’s net position and changes in that position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. However, the School District’s goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as Kentucky’s SEEK funding formula and its adjustments, the School District’s property tax base, required educational programs and other factors.

In the Statement of Net Position and the Statements of Activities, the School District is divided into two distinct kinds of activities:

- **Governmental Activities** – Most of the School District’s programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extra-curricular activities. The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). Fixed assets and related debt is also supported by taxes and intergovernmental revenues.
- **Business-Type Activities** – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The School District’s food service is reported as business activities. These activities are funded thru fees, federal grants, and federal commodities.

Net position may serve over time as a useful indicator of a government’s financial position. The District’s Net Position as of June 30, 2015 was \$24,260,203. This was a decrease of \$7,078,285 over the previous year. As stated earlier in this document, the District’s net position was negatively impacted by the recently issued and adopted GASB Statements resulting in the reduction of beginning net position by \$7,863,000.

The largest portion of the District’s net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The amount of capital assets, net of related debt was \$27,331,901. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

Government-wide financial statements can be found on pages 21 through 24 of this report.

Fund Financial Statements (Reporting the School District's Most Significant Funds)

After looking at the District as a whole, an analysis of the School District's major funds follows. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are assets that belong to others. The school's activity funds and the Bowling Green Independent School District Foundation, Inc. are reported as fiduciary funds. The only proprietary fund is the school food service fund. A proprietary fund is sometimes referred to as an enterprise fund. It is a fund that operates like a business with sales of goods and services. All other activities of the District are included in the governmental funds. The major governmental funds for the Bowling Green Independent School District are the general fund, special revenue (grants), and the unused sick leave trust fund.

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental *activities* (reported in the Statement of Net Position and the Statements of Activities) and governmental *funds* is reconciled in the financial statements.

Proprietary Funds - Proprietary funds use the same basis of accounting as business-type activities; therefore, the statements for the proprietary fund will essentially match. The only proprietary fund is our food service operations.

Fiduciary Funds – The schools' activity funds (or agency funds) and Bowling Green Independent School District Foundation, Inc. (or private purpose trust funds) are the District's only fiduciary funds. The schools' activity balances at year-end totaled \$404,187 (an increase of \$57,025 from the previous year). Bowling Green Independent School District Foundation, Inc. balance at year-end was \$80,819 (a decrease of \$12,449 from the previous year).

The basic governmental fund financial statements can be found on pages 25 through 37 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

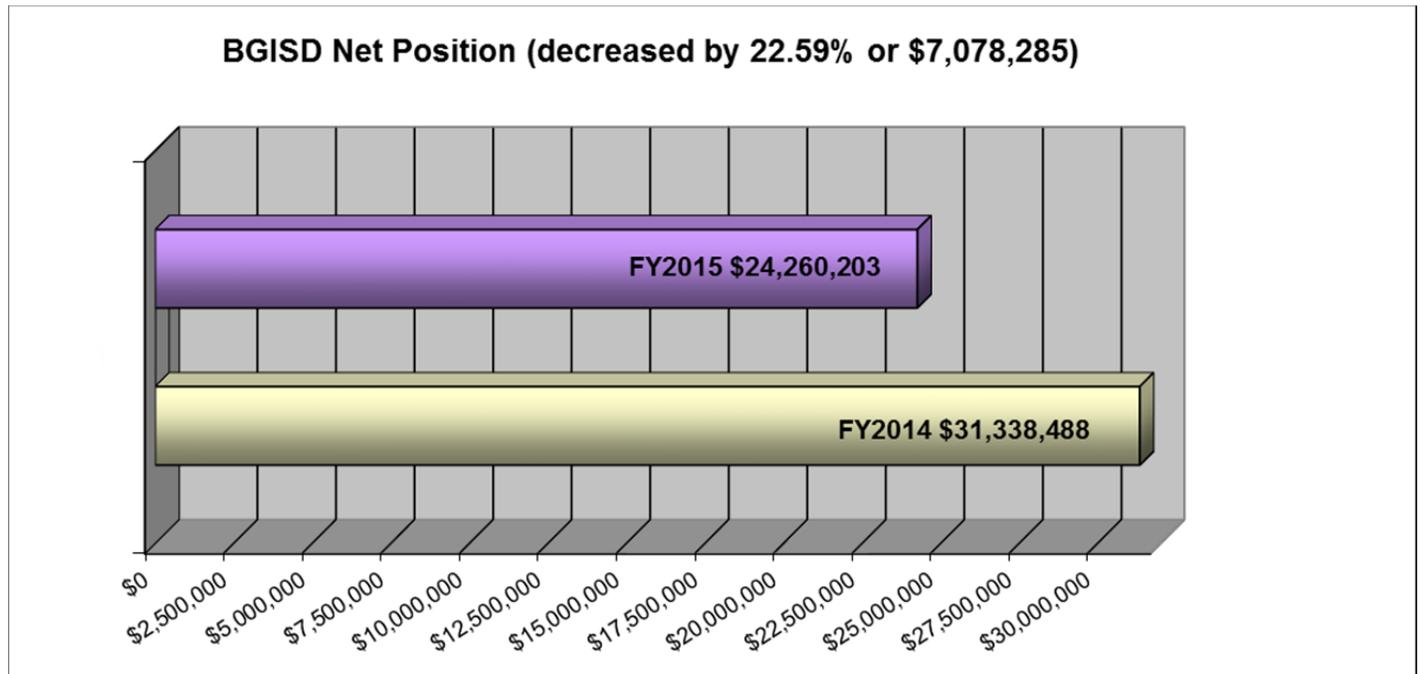
The notes to the financial statements can be found on pages 38 through 69 of this report.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position for June 30, 2014 and June 30, 2015

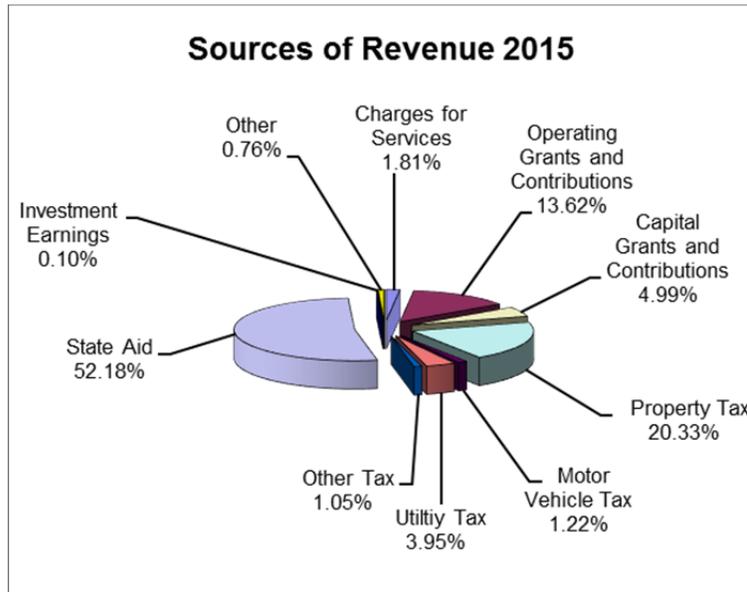
	Governmental Activities		Proprietary Business-Type Activities		District Total		Total District Percentage Change
	FY2014	FY2015	FY2014	FY2015	FY2014	FY2015	2014-2015
Current and Other Assets	\$9,003,392	\$6,654,230	\$331,757	\$386,066	\$9,335,149	\$7,040,296	-24.6%
Capital Assets	\$59,523,642	60,722,237	\$357,135	\$286,574	\$59,880,777	\$61,008,811	1.9%
Total Assets	\$68,527,034	\$67,376,467	\$688,892	\$672,640	\$69,215,926	\$68,049,107	-1.7%
Deferred loss on debt refunding	435,424	458,492	\$0	\$0	\$435,424	\$458,492	5.3%
Pension related	0	869,843	\$0	\$129,033	\$0	\$998,876	
Total Deferred Outflows of Resources	\$435,424	\$1,328,335	\$0	\$129,033	\$435,424	\$1,457,368	234.7%
Long Term Liabilities	\$33,062,760	\$33,205,288	\$20,265	\$18,547	\$33,083,025	\$33,223,835	0.4%
Net Pension Liability	\$0	\$6,637,238		\$984,762	\$0	\$7,622,000	
Other Liabilities	5,209,526	3,507,969	\$20,311	\$41,468	\$5,229,837	\$3,549,437	-32.1%
Total Liabilities	\$38,272,286	\$43,350,495	\$40,576	\$1,044,777	\$38,312,862	\$44,395,272	15.9%
Pension related	0	741,051	\$0	\$109,949	\$0	\$851,000	
Total Deferred Inflows of Resources	\$0	\$741,051	\$0	\$109,949	\$0	\$851,000	
Investment in Capital Assets (net of debt)	\$26,189,341	\$27,045,327	\$357,135	\$286,574	\$26,546,476	\$27,331,901	3.0%
Restricted	\$3,212,798	2,072,692	\$0	\$0	\$3,212,798	\$2,072,692	-35.5%
Unrestricted Fund	\$1,288,033	-4,504,763	\$291,181	-\$639,627	\$1,579,214	-\$5,144,390	-425.8%
Total Net Position	\$30,690,172	\$24,613,256	\$648,316	-\$353,053	\$31,338,488	\$24,260,203	-22.59%

Implementation of GASB 68 negatively impacted beginning Net Position by \$7,863,000.

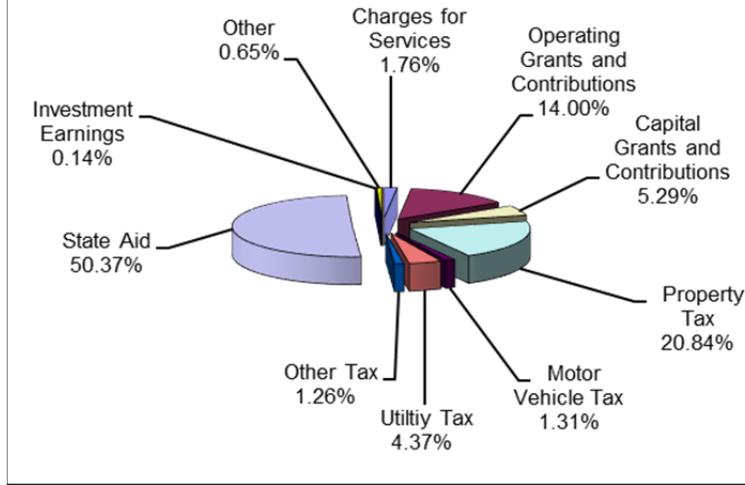


Changes in Net Position for June 30, 2014 and June 30, 2015

Revenues	Governmental Activities		Proprietary Business-Type Activities		District Total		District Total Percentage Change
	FY2014	FY2015	FY2014	FY2015	FY2014	FY2015	2014-2015
Program Revenues							
Charges for Services	\$197,644	\$282,527	\$560,111	\$578,082	\$757,755	\$860,609	13.6%
Operating Grants and Contributions	\$3,916,107	\$4,272,567	\$2,114,899	\$2,188,200	\$6,031,006	\$6,460,767	7.1%
Capital Grants and Contributions	\$2,280,501	\$2,365,689			\$2,280,501	\$2,365,689	3.7%
General Revenue							
Taxes							
Property Tax	\$8,980,247	\$9,648,599			\$8,980,247	\$9,648,599	7.4%
Motor Vehicle Tax	\$564,805	\$577,892			\$564,805	\$577,892	2.3%
Utility Tax	\$1,885,034	\$1,872,478			\$1,885,034	\$1,872,478	-0.7%
Other Tax	\$544,219	\$499,221			\$544,219	\$499,221	-8.3%
State Aid	\$21,701,926	\$24,757,280			\$21,701,926	\$24,757,280	14.1%
Investment Earnings	\$61,787	\$45,050	\$425	\$969	\$62,212	\$46,019	-26.0%
Gain on disposal of Assets					\$0	\$0	
Other	\$277,481	\$353,006	1525	\$7,110	\$279,006	\$360,116	29.1%
Transfers			0		\$0	\$0	
Total Revenues	\$40,409,751	\$44,674,309	\$2,676,960	\$2,774,361	\$43,086,711	\$47,448,670	10.1%



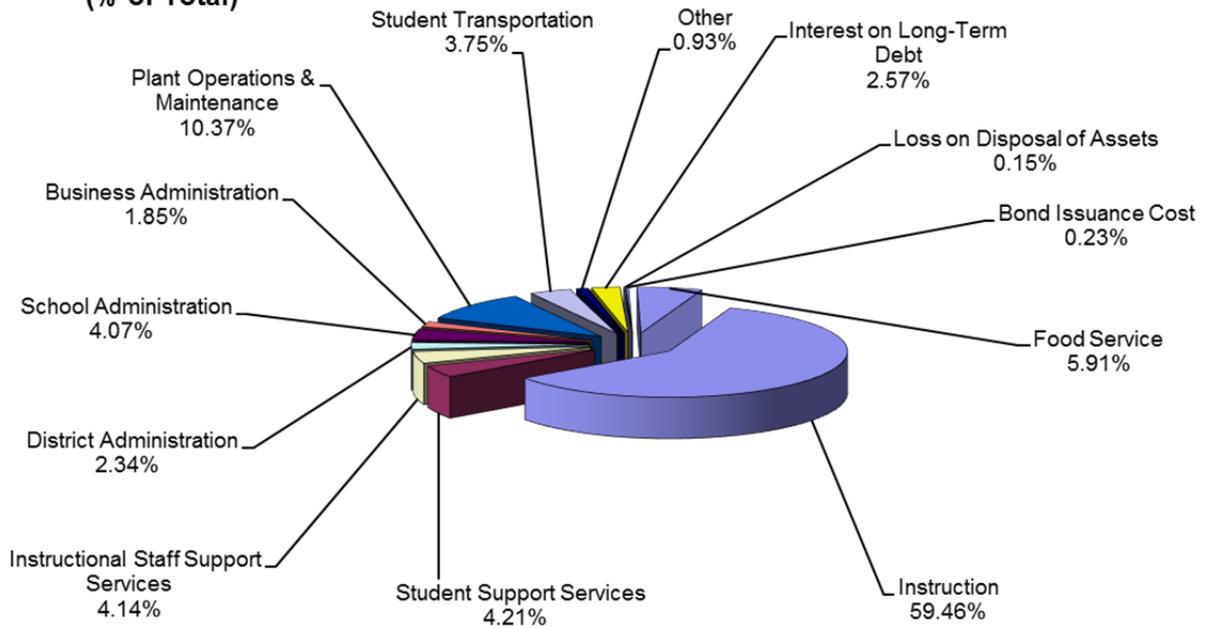
Sources of Revenue 2014



Expenses	Governmental Activities		Proprietary Business-Type Activities		District Total		District Total Percentage Change 2014-2015
	FY2014	FY2015	FY2014	FY2015	FY2014	FY2015	
Instruction	\$25,482,409	\$27,747,813			\$25,482,409	\$27,747,813	8.9%
Support Services							
Student Support Services	\$1,193,561	\$1,962,449			\$1,193,561	\$1,962,449	64.4%
Instructional Staff	\$1,357,313	\$1,932,122			\$1,357,313	\$1,932,122	42.3%
District Administration	\$973,169	\$1,093,529			\$973,169	\$1,093,529	12.4%
School Administration	\$1,771,750	\$1,900,748			\$1,771,750	\$1,900,748	7.3%
Business Administration	\$821,070	\$862,564			\$821,070	\$862,564	5.1%
Plant Operations & Maintenance	\$4,682,872	\$4,840,550			\$4,682,872	\$4,840,550	3.4%
Student Transportation	\$1,682,067	\$1,750,518			\$1,682,067	\$1,750,518	4.1%
Other	\$405,564	\$435,739			\$405,564	\$435,739	7.4%
Building Improvement					\$0	\$0	
Interest on Long-Term Debt	\$1,312,667	\$1,201,026			\$1,312,667	\$1,201,026	-8.5%
Loss on Disposal of Assets	\$4,576	\$69,082			\$4,576	\$69,082	1409.7%
Bond Issuance Cost	\$24,097	\$107,984			\$24,097	\$107,984	348.1%
Food Service			\$2,625,048	\$2,759,831	\$2,625,048	\$2,759,831	5.1%
Total Expenses	\$39,711,115	\$43,904,124	\$2,625,048	\$2,759,831	\$42,336,163	\$46,663,955	10.2%

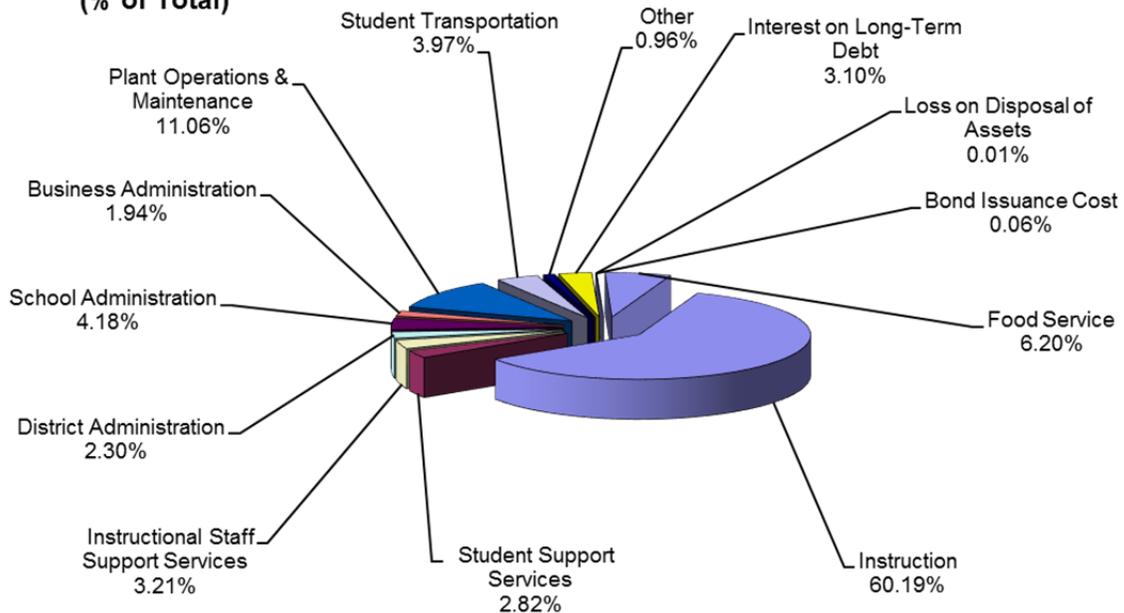
Expenses 2015

(% of Total)



Expenses 2014

(% of Total)



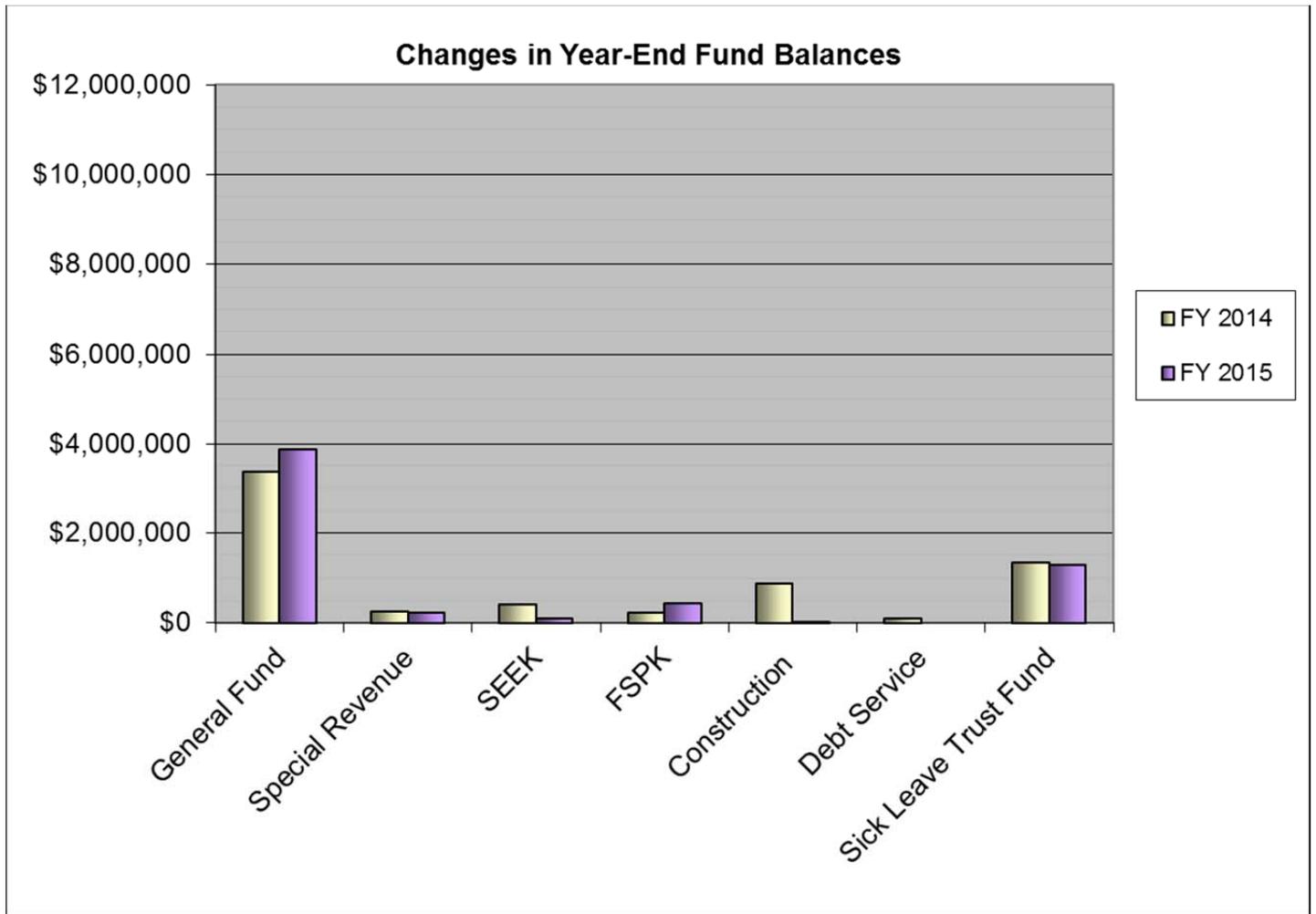
The District's total revenues for 2015 were \$47,448,670 and the total expenses were \$46,663,955. Revenues exceeded Expenses by \$784,715.

- State revenues accounted for 52.18% and local taxes accounted for 26.55% of the revenue.
- Instruction was the major expense category and accounted for 59.46% to the total.

- Food service revenues exceeded expenses by \$14,530 and Governmental revenues exceeded expenses by \$770,185.

Financial Analysis of the District Funds

Changes in End-of-Year Fund Balances	FY 2014	FY 2015	Amount of Change	% Change
General Fund	\$3,355,681	\$3,872,841	\$517,160	15.4%
Special Revenue	\$259,113	\$236,406	(\$22,707)	-8.8%
SEEK	\$407,924	\$103,567	(\$304,357)	-74.6%
FSPK	\$229,560	\$426,013	\$196,453	85.6%
Construction	\$863,401	\$24,125	(\$839,276)	-97.2%
Debt Service	\$102,048	\$0	(\$102,048)	-100.0%
Sick Leave Trust Fund	\$1,350,752	\$1,282,581	(\$68,171)	-5.0%
School Food	\$648,316	-\$353,053	(\$1,001,369)	-154.5%
Total	\$7,216,795	\$5,592,480	-\$1,624,315	-22.5%



- The General Fund's fund balance increased \$517,160.
- The Special Revenue fund decreased \$22,707, all in technology projects. All projects in the Special Revenue fund are zeroed at year end except for the technology project.

- The Sick Leave Trust fund shows a decrease of \$68,171 due to withdrawals from the Sick Leave Trust of \$45,000 and \$34,449.83 (income from the year). Sick leave payouts at retirement during fiscal year 2015 were \$179,681. These payouts were made from the General Fund.
- The School Food's fund balance decreased by \$1,001,369 of which \$1,015,899 was the result of net position being negatively impacted by the recently issued and adopted GASB Statements.

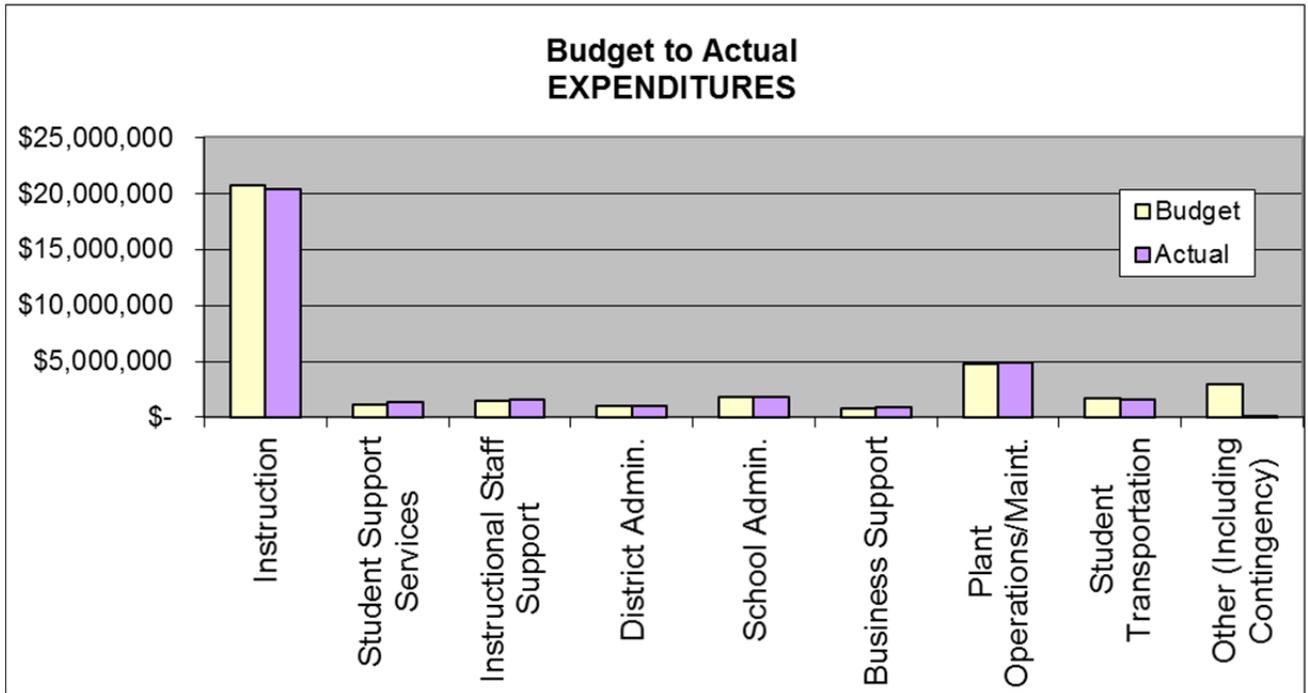
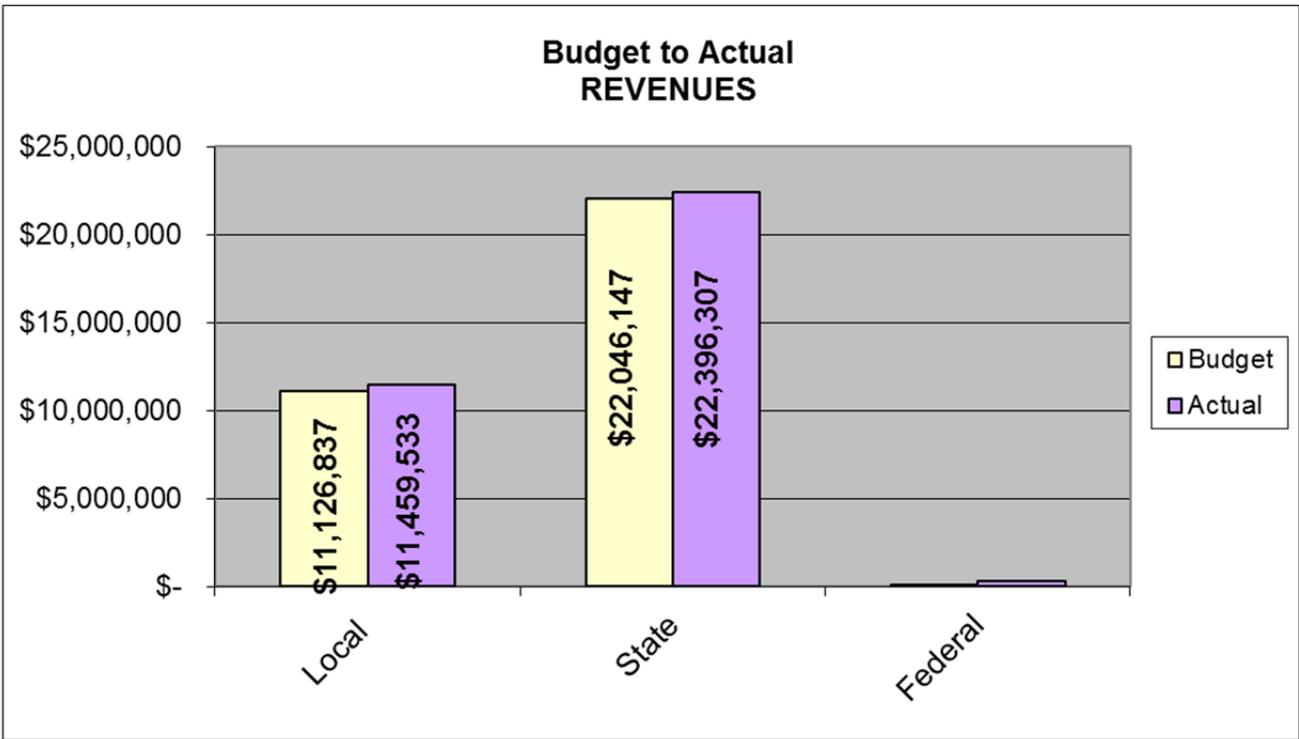
Comments on General Fund and Special Revenue Budget Comparisons

- The District's General Fund total revenues of \$34,153,247 for the fiscal year ended June 30, 2015, included On Behalf payments from the state of \$6,357,571. This is \$895,263 more than was budgeted in the working budget. The district normally budgets conservatively. It is advisable to be conservative when estimating local and state revenue because there have been numerous state funding adjustments in the past that have decreased the amount of state revenue the district received. Also, local revenue for delinquent, omitted and utility taxes are inconsistent from year to year. A carry-forward balance of 8-10% is recommended.
- Expenditures were \$33,626,974. Excluding the contingency budget of \$2,925,079, expenditures exceeded the budget by \$189,375. The district is required to budget 2% as contingency, but no expenditures are actually paid from this account. The district's contingency budget was \$394,290 more than the previous fiscal year.
- The Special Revenue fund budget compared to actual will always differ slightly because the state budget report only shows current fiscal year grant awards. The Special Revenue expenditures will include current year grant expenditures and previous year grant expenditures that were not completed at the end of the previous year.

General Fund Budget to Actual Comparison FY 2015

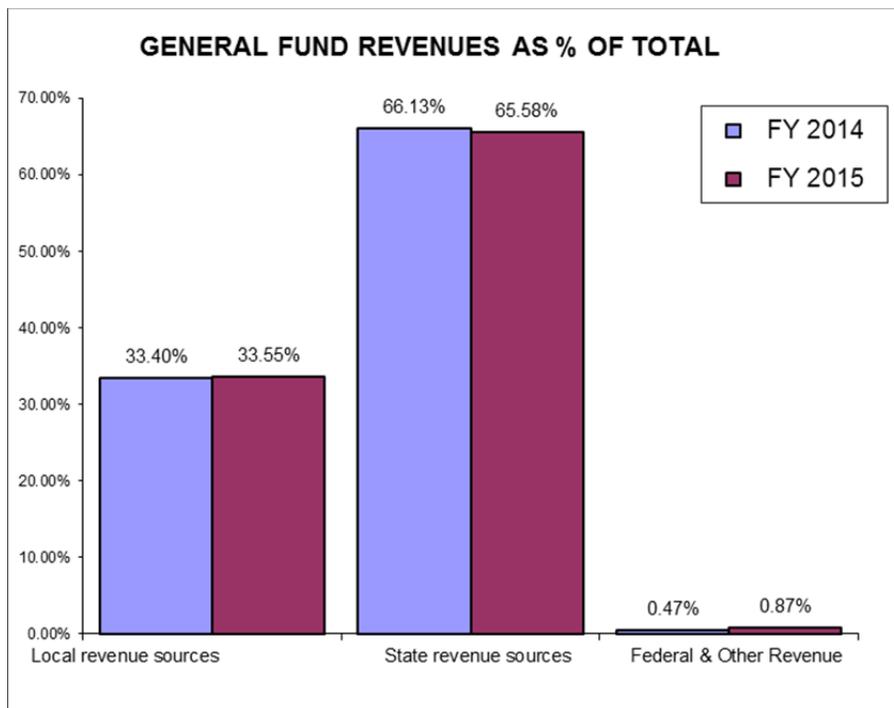
GENERAL FUND REVENUES	Budget	Actual
Local	\$ 11,126,837	\$ 11,459,533
State	\$ 22,046,147	\$ 22,396,307
Federal	\$ 85,000	\$ 297,407
Total	\$ 33,257,984	\$ 34,153,247
	difference	\$ 895,263

GENERAL FUND EXPENDITURES	Budget	Actual
Instruction	\$ 20,688,625	\$ 20,428,258
Student Support Services	\$ 1,135,999	\$ 1,390,184
Instructional Staff Support	\$ 1,477,248	\$ 1,563,653
District Admin.	\$ 994,969	\$ 1,058,227
School Admin.	\$ 1,822,715	\$ 1,817,838
Business Support	\$ 832,676	\$ 852,368
Plant Operations/Maint.	\$ 4,736,678	\$ 4,853,466
Student Transportation	\$ 1,683,660	\$ 1,599,477
Other (Including Contingency)	\$ 2,990,108	\$ 63,503
Total	\$ 36,362,678	\$ 33,626,974
	difference	\$ (2,735,704)



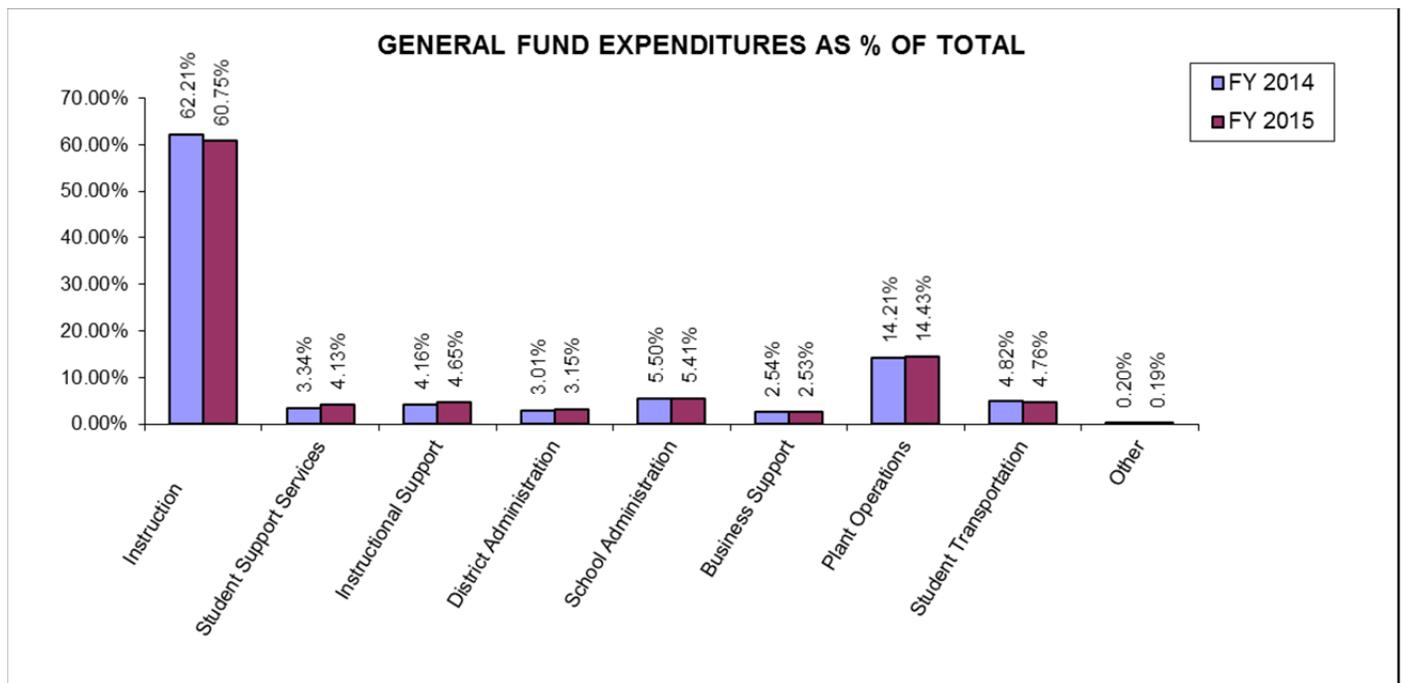
The following tables present a summary of revenue and expenditures of the General Fund for the fiscal years ended June 30, 2014 and June 30, 2015.

General Fund Revenues:	FY 2014	FY 2015
Local revenue sources	\$10,960,813	\$11,459,533
<i>Taxes</i>		
<i>Property</i>	\$7,746,596	\$8,222,407
<i>Motor Vehicle</i>	\$485,107	\$495,055
<i>Utilities</i>	\$1,885,034	\$1,872,478
<i>Other</i>	\$534,168	\$487,028
<i>Tuition and Fees</i>	\$189,844	\$277,305
<i>Earnings on Investments</i>	\$12,678	\$20,768
<i>Other Local Revenue</i>	\$107,386	\$84,492
State revenue sources	\$21,701,926	\$22,396,307
Federal Revenue	\$153,126	\$297,407
Total revenues	\$32,815,865	\$34,153,247



The majority of revenue was derived from state funding, 65.58%, with local revenue sources making up 33.55% of total revenue.

General Fund Expenditures	FY 2014	FY 2015
Instruction	\$20,033,421	\$20,428,258
Support Services		
Student Support Services	\$1,075,421	\$1,390,184
Instructional Support	\$1,338,693	\$1,563,653
District Administration	\$969,292	\$1,058,227
School Administration	\$1,772,509	\$1,817,838
Business Support	\$818,881	\$852,368
Plant Operations	\$4,575,068	\$4,853,466
Student Transportation	\$1,552,303	\$1,599,477
Other	\$65,085	\$63,503
Total Expenditures	\$32,200,673	\$33,626,974
Excess of Revenue over Expenditures	\$615,192	\$526,273
Operating Transfers	\$ (58,198)	\$ (9,113)
Net Change in Fund Balance	\$556,994	\$517,160



The majority, 60.75%, of General Fund expenditures were for direct instruction related activities.

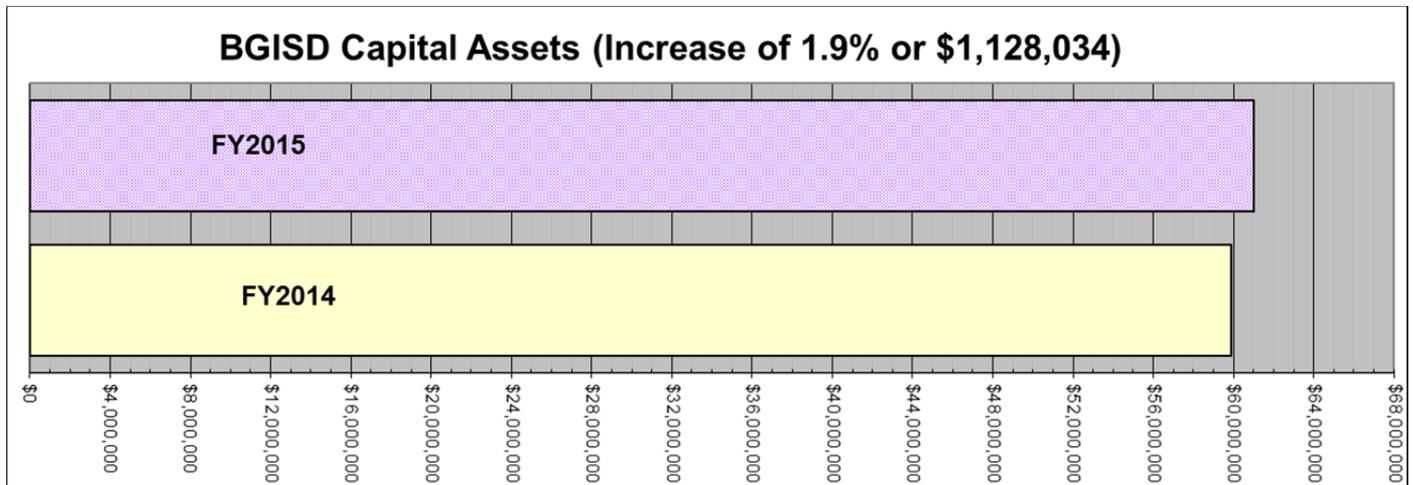
CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

On June 30, 2015, the district's cumulative total initial cost of assets increased by \$3,560,398 to \$94,772,805. This included land, school buildings, athletic facilities, maintenance facilities, computer equipment and administrative offices. Accumulated depreciation on these assets increased by \$2,432,364 to \$33,763,994. Book value increased for capital assets by \$1,128,034 to \$61,008,811.

SUMMARY OF CAPITAL ASSETS

CAPITAL ASSETS (net of depreciation)	Governmental Activities		Proprietary Business-Type Activities		District Total		Total District Percentage Change
	FY2014	FY2015	FY2014	FY2015	FY2014	FY2015	2013-2014
	Land & Land Improvements	\$15,607,256	\$2,235,800	\$0	\$0	\$15,607,256	\$2,235,800
Buildings	\$41,502,983	\$56,923,323	\$0	\$0	\$41,502,983	\$56,923,323	37.2%
Equipment & Furniture	\$2,413,403	1,563,114	\$357,135	\$286,574	\$2,770,538	\$1,849,688	-33.2%
Total Assets	\$59,523,642	\$60,722,237	\$357,135	\$286,574	\$59,880,777	\$61,008,811	1.9%

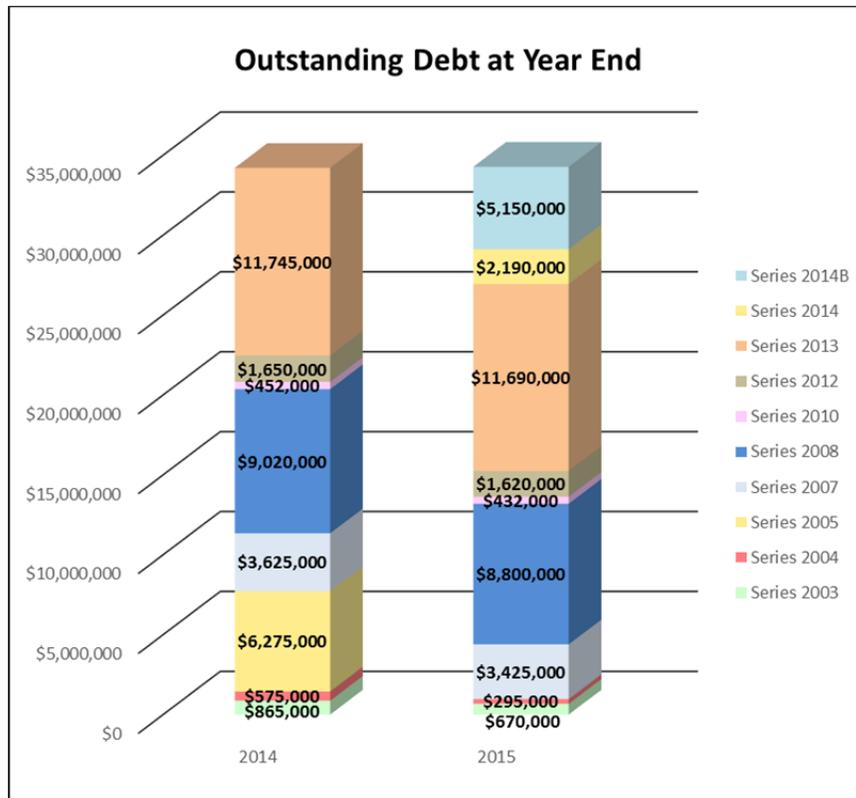


Long-Term Debt

At year-end the district had \$34,272,000 in general obligation bonds outstanding. This was an increase of \$65,000 from last year. The increase was due to bond issuance during the year for \$2,190,000 for the W.R. McNeill Elementary project. Bonds were also issued to refund the 2005 bond issue. This advanced refunding resulted in saving of \$387,943 in total debt service payments of the next 5 years.

Outstanding Debt at Year End

		Governmental Activities 2014	Governmental Activities 2015
General Obligation Bonds:			
Series 2003	Energy Conservation Project for Elementary Schools	\$865,000	\$670,000
Series 2004	Parker-Bennett-Curry Construction	\$575,000	\$295,000
Series 2005	Junior High Construction	\$6,275,000	\$0
Series 2007	Potter Gray-Dishman McGinnis-W.R. McNeill Renovations	\$3,625,000	\$3,425,000
Series 2008	T.C. Cherry Construction	\$9,020,000	\$8,800,000
Series 2010	W.R McNeill Library Renovations	\$452,000	\$432,000
Series 2012	Refunding Issue 2004	\$1,650,000	\$1,620,000
Series 2013	Dishman-McGinnis Construction	\$11,745,000	\$11,690,000
Series 2014	W.R McNeill Kitchen/Cafeteria Renovations		\$2,190,000
Series 2014B	Refunding Issue 2005		\$5,150,000
TOTAL		\$34,207,000	\$34,272,000



BUDGETARY IMPLICATIONS

It is extremely important that the district continue to budget very conservatively. The district depends heavily on state support; 65.58 % of the district's General Fund Revenue during 2015. In the past, there have been significant adjustments in the SEEK funding, as well as, cuts too many state grants. The projected SEEK forecast received from the state should only be considered as an estimate of state revenue. The district previously received such an adjustment during the 2015 fiscal year of \$326,208 to the general fund and \$71,354 to the building fund. The district should always be prepared for such reductions in funding.

The major portion of the district's property tax revenue does not come to the district until the fifth through the seventh months of the fiscal year. This means the general fund's beginning fund balance must be used to absorb much of the first four months of expenditures. Provisions must always be made to have a significant beginning balance to start each year. The district has an ending fund balance of \$3,872,841 or 12.19% of the 2016 general fund budget, excluding On-behalf payments, as a beginning balance.

By law, the General Fund budget must have a minimum of 2% in contingency. The 2% is calculated on budgeted expenditures in Fund 1, Fund 2, Fund 310, Fund 320 and Fund 51. The district adopted a Fiscal Year 2016 working budget with a contingency of \$3,107,729 (6.83%) for the 2015-2016 fiscal year.

For the 2015-2016 fiscal year, the Board increased the discretionary staffing allocation percentage from three percent (3%) to six percent (6%) and approved a 2.0% pay raise for all employees. Other actions that will have a financial impact include additional spending on students with special needs, the Limited English Proficient (LEP) program and General Fund matching dollars for other grants. During fiscal year 2015, \$758,517 was needed from the general fund to subsidize special revenue funds (grants). In addition, \$937,781 in excess of the SEEK Add-On for Exceptional Children was expended from the General Fund. The district currently participates in over 30 federal and state grants. The total budget for these grants is over \$4.4 million for 2016. Many of these grants are funded on a reimbursement basis. This requires the district to pay the expenses of the grant and then apply for reimbursement. The district must continue to monitor the grants constantly and get reimbursements in a timely manner. The district must also maintain a significant cash balance in order to pay the expenses of these grants while waiting for reimbursements.

DISTRICT CHALLENGES FOR THE FUTURE

The primary challenges for Bowling Green Independent Schools are to continue to provide modern facilities, continue the excellence in education with a more diverse population, monitor the impact of increasing employer contributions to both employee retirement systems, dealing with state mandated salary increases, and to maintain the average daily attendance count.

The first challenge mentioned above is to provide modern facilities for our students and staff. Our district has in the past, and must continue in the future, to maintain an adequate maintenance budget to keep our facilities repaired and maintained. The high school over 45 years old and the junior high is 15 years old. The district recently completed construction for a new Dishman-McGinnis Elementary on the site of the old L.C. Curry Elementary and renovations to the W.R. McNeill Elementary.

The second challenge mentioned above is to maintain the excellence our district has enjoyed with a growing diverse population. Our community has a growing immigrant population. This presents our district with the challenge of teaching many students who do not speak English. Our Limited English Proficient (LEP) population has grown to be around 11 % of the district's enrollment with 49 languages spoken. We received \$375.46/LEP student in additional funding for a total of \$146,803 during 2014-2015. It will be important to maintain this funding in the future.

The third challenge mentioned above is to monitor the impact of increasing employer contributions to both employee retirement systems. The mandated increase in employer contribution rate for the 2015-2016 school year was 0.75% for certified. The district must continue to monitor the effects of salary and retirement increases as well as health insurance costs for federal grants.

The fourth challenge mentioned is dealing with State mandated salary increases. The district is projected to receive \$3,981 for the 2015-16 school year, an increase of \$80 per ADA. This is expected to produce an increase in SEEK funds of \$289,945. The step increase, 2% salary increase, and increasing the discretionary staffing allocation from 3% to 6% is expected to add an additional \$1,011,267 to the district's general fund expenditures.

The fifth challenge mentioned is preserving the average daily attendance count. The district receives funding through the SEEK formula based on this count. A very limited number of new homes are being constructed within the boundaries of the district; therefore, growth within the district is limited. It is vital that our schools have high attendance percentages, as well as, monitoring those student enrollments that continue to choose Bowling Green Independent Schools when they could be attending elsewhere. Maintaining excellence and emphasizing public service are the main factors influencing this district challenge.

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. Questions regarding this report should be directed to Gary Fields, Superintendent, or to Jeff Herron, Finance Director, located at, 1211 Center St., Bowling Green, KY, 42101, by phone at 270-746-2200, or by email at gary.fields@bgreen.kyschools.us or jeff.herron@bgreen.kyschools.us.

Bowling Green Independent School District
Statement of Net Position

<i>June 30, 2015</i>	Governmental Activities	Business-type Activities	Total
Assets			
Cash	\$ 4,738,075	\$ 226,227	\$ 4,964,302
Investments	1,294,493	-	1,294,493
Accounts receivable:			
Taxes	374,120	-	374,120
Accounts	5,560	2,851	8,411
Intergovernmental	241,982	60,696	302,678
Inventory	-	96,292	96,292
Non-depreciable capital assets	1,690,856	-	1,690,856
Depreciable capital assets	92,017,305	1,064,644	93,081,949
Less: accumulated depreciation	(32,985,924)	(778,070)	(33,763,994)
Total assets	67,376,467	672,640	68,049,107
Deferred Outflows of Resources			
Deferred loss on debt refundings	458,492	-	458,492
Pension related	869,843	129,033	998,876
Total deferred outflows of resources	1,328,335	129,033	1,457,368
Liabilities			
Accounts payable	580,671	36,334	617,005
Accrued liabilities	27,768	-	27,768
Unearned revenue	100,258	-	100,258
Accrued interest	277,970	-	277,970
Long-term obligations:			
Due within one year:			
Outstanding bonds	2,046,000	-	2,046,000
Compensated absences	475,302	5,134	480,436
Due beyond one year:			
Outstanding bonds	32,089,402	-	32,089,402
Compensated absences	1,115,886	18,547	1,134,433
Net pension liability	6,637,238	984,762	7,622,000
Total liabilities	43,350,495	1,044,777	44,395,272

See accompanying notes to the financial statements.

Bowling Green Independent School District
Statement of Net Position

<i>June 30, 2015</i>	Governmental Activities	Business-type Activities	Total
Deferred Inflows of Resources			
Pension related	741,051	109,949	851,000
Total deferred inflows of resources	741,051	109,949	851,000
Net Position			
Net investment in capital assets	27,045,327	286,574	27,331,901
Restricted for:			
Grant programs	236,406	-	236,406
Capital projects	553,705	-	553,705
Compensated absences	1,282,581	-	1,282,581
Unrestricted	(4,504,763)	(639,627)	(5,144,390)
Total net position	\$ 24,613,256	\$ (353,053)	\$ 24,260,203

See accompanying notes to the financial statements.

Bowling Green Independent School District
Statement of Activities

Year Ended June 30, 2015	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
Instruction	\$ 27,747,813	\$ 277,305	\$ 3,523,688	\$ 174,926	\$ (23,771,894)	\$ -	\$ (23,771,894)
Support services:							
Student	1,962,449	-	108,735	-	(1,853,714)	-	(1,853,714)
Instructional staff	1,932,122	-	239,533	-	(1,692,589)	-	(1,692,589)
District administration	1,093,529	-	-	-	(1,093,529)	-	(1,093,529)
School administration	1,900,748	-	-	-	(1,900,748)	-	(1,900,748)
Business	862,564	-	-	-	(862,564)	-	(862,564)
Plant operations and maintenance	4,840,550	5,222	-	-	(4,835,328)	-	(4,835,328)
Student transportation	1,750,518	-	40,490	-	(1,710,028)	-	(1,710,028)
Other	435,739	-	360,121	-	(75,618)	-	(75,618)
Building acquisition and construction	-	-	-	1,766,087	1,766,087	-	1,766,087
Bond issuance cost	107,984	-	-	-	(107,984)	-	(107,984)
Loss on disposal of assets	69,082	-	-	-	(69,082)	-	(69,082)
Interest on long-term debt	1,201,026	-	-	424,676	(776,350)	-	(776,350)
Total governmental activities	43,904,124	282,527	4,272,567	2,365,689	(36,983,341)	-	(36,983,341)
Business-type activities							
Food services	2,759,831	578,082	2,188,200	-	-	6,451	6,451
Total business-type activities	2,759,831	578,082	2,188,200	-	-	6,451	6,451
Total school district	\$ 46,663,955	\$ 860,609	\$ 6,460,767	\$ 2,365,689	(36,983,341)	6,451	(36,976,890)

See accompanying notes to the financial statements.

Bowling Green Independent School District
Statement of Activities

<i>Year Ended June 30, 2015</i>	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business- type Activities	Total
General Revenues			
Taxes:			
Property	9,648,599	-	9,648,599
Motor vehicle	577,892	-	577,892
Utilities	1,872,478	-	1,872,478
Other	499,221	-	499,221
State aid	24,757,280	-	24,757,280
Investment earnings	45,050	969	46,019
Other	353,006	7,110	360,116
Total general revenues	37,753,526	8,079	37,761,605
Change in net position	770,185	14,530	784,715
Net position - beginning of year	30,690,172	648,316	31,338,488
Effect of adoption of GASB 68	(6,847,101)	(1,015,899)	(7,863,000)
Net position - beginning of year, as restated	23,843,071	(367,583)	23,475,488
Net position - end of year	\$ 24,613,256	\$ (353,053)	\$ 24,260,203

See accompanying notes to the financial statements.

Bowling Green Independent School District
Balance Sheet
Governmental Funds

<i>June 30, 2015</i>	General Fund	Special Revenue Fund	Sick Leave Trust Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash	\$ 3,871,939	\$ 289,786	\$ -	\$ 576,350	\$ 4,738,075
Investments	11,912	-	1,282,581	-	1,294,493
Accounts receivable:					
Taxes	368,373	-	-	5,747	374,120
Accounts	5,560	-	-	-	5,560
Intergovernmental	-	241,982	-	-	241,982
Total assets	\$ 4,257,784	\$ 531,768	\$ 1,282,581	\$ 582,097	\$ 6,654,230

See accompanying notes to the financial statements.

Bowling Green Independent School District
Balance Sheet
Governmental Funds

<i>June 30, 2015</i>	General Fund	Special Revenue Fund	Sick Leave Trust Fund	Other Governmental Funds	Total Governmental Funds
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 357,175	\$ 195,104	\$ -	\$ 28,392	\$ 580,671
Accrued liabilities	27,768	-	-	-	27,768
Unearned revenue	-	100,258	-	-	100,258
Total liabilities	384,943	295,362	-	28,392	708,697
Fund Balances					
Restricted	-	236,406	1,282,581	553,705	2,072,692
Assigned	874,441	-	-	-	874,441
Unassigned	2,998,400	-	-	-	2,998,400
Total fund balances	3,872,841	236,406	1,282,581	553,705	5,945,533
Total liabilities and fund balances	\$ 4,257,784	\$ 531,768	\$ 1,282,581	\$ 582,097	\$ 6,654,230

Bowling Green Independent School District
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position

<i>June 30,</i>	2015
Total fund balances - governmental funds	\$ 5,945,533
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. The cost of the assets is \$93,708,161 and the accumulated depreciation is (\$32,985,924).	60,722,237
Governmental funds record losses on debt refundings as other financing uses when the issues are refunded. Unamortized losses on refundings are included on the government-wide financial statements as a deferred outflow.	458,492
Deferred outflows and inflows or resources related to pensions are applicable to future periods, therefore, are not reported in the funds statements.	128,792
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Bonds payable	(34,135,402)
Accrued interest on the bonds	(277,970)
Net pension liability	(6,637,238)
Compensated absences	(1,591,188)
Total net position - governmental activities	\$ 24,613,256

See accompanying notes to the financial statements.

Bowling Green Independent School District
Statement of Revenues, Expenditures and Changes in Funds Balances
Governmental Funds

<i>Year Ended June 30, 2015</i>	General Fund	Special Revenue Fund	Sick Leave Trust Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
From local sources:					
Taxes:					
Property	\$ 8,222,407	\$ -	\$ -	\$ 1,426,192	\$ 9,648,599
Motor vehicle	495,055	-	-	82,837	577,892
Utilities	1,872,478	-	-	-	1,872,478
Other	487,028	-	-	12,193	499,221
Tuition and fees	277,305	-	-	-	277,305
Earnings on investments	20,768	1,242	18,475	5,807	46,292
Other local revenue	84,492	139	-	7,500	92,131
Intergovernmental - state	22,396,307	1,659,823	-	2,190,763	26,246,893
Intergovernmental - federal	297,407	2,786,289	-	-	3,083,696
Total revenues	34,153,247	4,447,493	18,475	3,725,292	42,344,507
Expenditures					
Current:					
Instruction	20,428,258	3,809,884	-	-	24,238,142
Support services:					
Student	1,390,184	108,735	-	-	1,498,919
Instructional staff	1,563,653	239,533	-	-	1,803,186
District administration	1,058,227	-	7,196	-	1,065,423
School administration	1,817,838	-	-	-	1,817,838
Business	852,368	-	-	-	852,368
Plant operations and maintenance	4,853,466	-	-	-	4,853,466
Student transportation	1,599,477	40,490	-	-	1,639,967

See accompanying notes to the financial statements.

Bowling Green Independent School District
Statement of Revenues, Expenditures and Changes in Funds Balances
Governmental Funds

<i>Year Ended June 30, 2015</i>	General Fund	Special Revenue Fund	Sick Leave Trust Fund	Other Governmental Funds	Total Governmental Funds
Other	63,503	360,121	-	-	423,624
Debt service:					
Principal	-	-	-	1,965,000	1,965,000
Interest	-	-	-	1,211,369	1,211,369
Bond issuance cost	-	-	-	107,984	107,984
Building improvement	-	-	-	2,534,961	2,534,961
Building acquisition & construction	-	-	-	1,190,667	1,190,667
Total expenditures	33,626,974	4,558,763	7,196	7,009,981	45,202,914
Excess (deficiency) of revenues over expenditures	526,273	(111,270)	11,279	(3,284,689)	(2,858,407)
Other Financing Sources (Uses)					
Bond proceeds, net of discount	-	-	-	2,157,777	2,157,777
Bond proceeds - refunding bond, plus premium	-	-	-	5,502,528	5,502,528
Payment to refunded bond escrow agent	-	-	-	(5,424,844)	(5,424,844)
Operating transfers in	79,450	88,563	-	3,397,142	3,565,155
Operating transfers out	(88,563)	-	(79,450)	(3,397,142)	(3,565,155)
Total other financing sources (uses)	(9,113)	88,563	(79,450)	2,235,461	2,235,461
Net change in fund balances	517,160	(22,707)	(68,171)	(1,049,228)	(622,946)
Fund balances - beginning of year	3,355,681	259,113	1,350,752	1,602,933	6,568,479
Fund balances - end of year	\$ 3,872,841	\$ 236,406	\$ 1,282,581	\$ 553,705	\$ 5,945,533

See accompanying notes to the financial statements.

Bowling Green Independent School District
 Reconciliation of the Governmental Funds
 Statement of Revenues, Expenditures and Changes in
 Fund Balances to the Statement of Activities

<i>Year Ended June 30,</i>	2015
Total net change in fund balances - governmental funds	\$ (622,946)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay (\$3,868,580) exceeds depreciation (\$2,569,732) in the period.	1,298,848
Gains and losses are not presented in governmental funds because they do not provide or use current financial resources. However, they are presented on the statement of activities. The difference between proceeds from the sale of assets and the actual gain (loss) from the sale net to this amount for the year.	(100,253)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	1,965,000
The issuance of a bond is shown as an other financing source in the governmental funds and provide current financial resources, but they increase long-term liabilities in the statement of net position.	(2,157,777)
Refunding outstanding bonds are shown as an other financial source and use in the governmental funds, but they retire previous debt while issuing new debt which is in long term liabilities.	(77,684)
Governmental funds report district pension contributions as expenditures. However, in the statements of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.	
District pension contributions	(531,188)
Cost of benefits earned net of employee contributions	869,843
Expenditures reported in the fund financial statements are recognized when the current financial resource is used. However, expenses in the statement of activities are recognized when they are incurred.	126,342
Change in net position - governmental activities	\$ 770,185

See accompanying notes to the financial statements.

Bowling Green Independent School District
Statement of Net Position
Proprietary Fund

<i>June 30, 2015</i>	Enterprise Fund Food Service
Assets	
Current Assets	
Cash	\$ 226,227
Accounts receivable	
Accounts	2,851
Intergovernmental	60,696
Inventory	96,292
<hr/>	
Total current assets	386,066
<hr/>	
Noncurrent Assets	
Fixed assets - net	286,574
<hr/>	
Total assets	672,640
<hr/>	
Deferred Outflows of Resources	
Pension related	129,033
<hr/>	
Total deferred outflows of resources	129,033
<hr/>	
Liabilities	
Current Liabilities	
Accounts payable	36,334
Compensated absences due within one year	5,134
<hr/>	
Total current liabilities	41,468
<hr/>	
Long-Term Liabilities	
Compensated absences due beyond one year	18,547
Net pension liability	984,762
<hr/>	
Total long-term liabilities	1,003,309
<hr/>	

See accompanying notes to the financial statements.

Bowling Green Independent School District
Statement of Net Position
Proprietary Fund

<i>June 30, 2015</i>	Enterprise Fund Food Service
<hr/>	
Deferred Inflows of Resources	
Pension related	109,949
<hr/>	
Total deferred inflows of resources	109,949
<hr/>	
Net Position	
Net investment in capital assets	286,574
Unrestricted	(639,627)
<hr/>	
Total net position	\$ (353,053)
<hr/> <hr/>	

See accompanying notes to the financial statements.

Bowling Green Independent School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund

<i>Year Ended June 30, 2015</i>	Enterprise Fund Food Service
Operating Revenues	
Lunchroom sales	\$ 578,082
<hr/>	
Total operating revenues	578,082
<hr/>	
Operating Expenses	
Salaries and wages	1,035,879
Contract services	32,462
Materials and supplies	1,593,792
Other operating expenses	20,987
Depreciation expense	73,458
<hr/>	
Total operating expenses	2,756,578
<hr/>	
Operating loss	(2,178,496)
<hr/>	
Non-Operating Revenues (Expenses)	
State operating grants	149,479
Federal operating grants	1,854,416
Donated commodities	184,305
Interest revenue	969
Loss on disposal of assets	(3,253)
Other	7,110
<hr/>	
Total non-operating revenues (expenses)	2,193,026
<hr/>	
Change in net position	14,530
<hr/>	
Net position - beginning of year	648,316
Effect of adoption of GASB 68	(1,015,899)
<hr/>	
Net position - beginning of year, as restated	(367,583)
<hr/>	
Net position - end of year	\$ (353,053)
<hr/>	

See accompanying notes to the financial statements.

Bowling Green Independent School District
Statement of Cash Flows
Proprietary Fund

<i>Year Ended June 30, 2015</i>	Enterprise Fund Food Service
Cash Flows from Operating Activities	
Cash received from user charges	\$ 578,082
Cash payments to employees for services	(957,149)
Cash payments for contract services	(32,462)
Cash payments to suppliers for goods and services	(1,391,152)
Cash payments for other operating expenses	(20,987)
Net cash used in operating activities	(1,823,668)
Cash Flows from Non-Capital Financing Activities	
Non-operating grants received	1,863,274
Other	7,110
Net cash provided by non-capital financing activities	1,870,384
Cash Flows from Capital and Related Financing Activities	
Acquisition of capital assets	(6,150)
Net cash used in capital and related financing activities	(6,150)
Cash Flows from Investing Activities	
Interest on investments	969
Net cash provided by investing activities	969
Net increase in cash	41,535
Cash - beginning of year	184,692
Cash - end of year	\$ 226,227

See accompanying notes to the financial statements.

<i>Year Ended June 30, 2015</i>	Fund Food Service
Reconciliation of Operating Loss to Net Cash Used In Operating Activities	
Operating loss	\$ (2,178,496)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	73,458
Commodities received	184,305
On-behalf payments	125,535
Pension contributions in excess of pension expense	(50,221)
Changes in assets and liabilities:	
Inventories	2,312
Accounts payable	16,023
Accrued benefits	3,416
Net cash used in operating activities	\$ (1,823,668)

Noncash Activities

- The food service fund received \$184,305 of donated commodities from the federal government.
- The District received on-behalf payments of \$125,535 relating to fringe benefits from the state government.
- The District reclassified \$129,033 related to pension expense to deferred outflows of resources.

See accompanying notes to the financial statements.

Bowling Green Independent School District
Statement of Fiduciary Net Position
Fiduciary Funds

<i>June 30, 2015</i>	Agency Funds	Private Purpose Trust Fund
Assets		
Cash	\$ 474,066	\$ 80,819
Accounts receivable	8,562	-
Total assets	\$ 482,628	\$ 80,819
Liabilities		
Accounts payable	\$ 12,039	\$ -
Deferred compensation payable	66,402	-
Due to student groups	404,187	-
Total liabilities	482,628	-
Net Position		
Held in trust for scholarships	-	22,635
Held in trust for district support	-	58,184
Total net position	\$ -	\$ 80,819

See accompanying notes to the financial statements.

Bowling Green Independent School District
Statement of Changes in Fiduciary Net Position
Fiduciary Funds

<i>Year Ended June 30, 2015</i>	Private Purpose Trust Fund
Additions	
Interest revenue	\$ 313
Contributions	40,575
<hr/>	
Total additions	40,888
<hr/>	
Deductions	
Scholarships	12,689
Administrative fees	600
District support	40,048
<hr/>	
Total deductions	53,337
<hr/>	
Change in net position	(12,449)
<hr/>	
Net position - beginning of year	93,268
<hr/>	
Net position - end of year	\$ 80,819
<hr/> <hr/>	

See accompanying notes to the financial statements.

Bowling Green Independent School District

Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

The District, for financial purposes, includes all of the funds relevant to the operation of the Bowling Green Independent School District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc., except for those funds administered as an activity in the agency funds.

For financial reporting purposes, the accompanying financial statements include all of the operations over which the District is financially accountable. The District is financially accountable for organizations that make up its legal entity, as well as legally separate organizations that meet certain criteria. In accordance with GASB 14, "The Financial Reporting Entity," as amended by GASB 39, "Determining Whether Certain Organizations Are Component Units," the criteria for inclusion in the reporting entity involve those cases where the District or its officials appoint a voting majority of an organization's governing body, and is either able to impose its will on the organization and there is potential for the organization to provide specific financial benefits to or to impose specific financial burdens on the District or nature and significance of the relationship between the District and the organization is such that exclusion would cause the District's financial statements to be incomplete.

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

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

Bowling Green Independent School District Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Bowling Green Independent School District Foundation- The Foundation is used to benefit the district and to provide scholarships to students based on donor designation. Two Board Members of the Bowling Green Independent Board of Education are members of the Foundation's Board of Directors. The Foundation also shares like management with the District.

Basis of Presentation

Government-Wide Financial Statements — The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the District, except for fiduciary funds. Eliminations have been made to minimize the double counting of internal activities. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

Fund Financial Statements — Fund financial statements report detailed information about the District's funds, including fiduciary funds. Separate statements for each fund category — governmental, proprietary and fiduciary — are presented. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Bowling Green Independent School District
Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District has the following funds:

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 unassigned fund balance is considered as resources available for use. The general fund is a major fund.

The *Special Revenue Fund* accounts for proceeds of specific revenue sources that are restricted, committed or assigned to expenditures for specified purposes other than debt service or capital projects. 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. The special revenue fund is a major fund.

The *Sick Leave Trust Fund* (a special revenue fund) — The corpus and any earnings of the Trust are restricted for payment of compensated absences of the District as stated in the trust agreement. The sick leave trust fund is a major fund.

Capital Projects Funds are used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations or other governments.

The *Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund* receives those funds designated by the state as capital outlay funds and is restricted for use in financing projects identified in the District's facility plan and certain operating costs.

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 are restricted for use in financing projects identified in the District's facility plan.

The *Construction Fund* accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.

Bowling Green Independent School District
Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The *Debt Service Fund* is used to account for and report financial resources that are restricted, committed or assigned to expenditures for principal and interest and other debt related costs.

Proprietary Fund Types

Enterprise Fund

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

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

Fiduciary Fund Types (includes agency funds and private purpose trust funds)

Fiduciary funds account for assets held by the District in a trustee's capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement.

Agency Funds

The *Activity Fund* accounts for activities of student groups and other types of activities requiring clearing accounts. The student funds are accounted for in accordance with *Uniform Program of Accounting for School Activity Funds*.

Private Purpose Trust Fund

The *Private Purpose Trust Fund* is used to report trust arrangements under which principal and income benefit individuals and the District's operations.

Bowling Green Independent School District
Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting

Government-Wide, Proprietary and Fiduciary Fund Financial Statements – The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. . With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Proprietary and fiduciary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place.

Governmental Fund Financial Statements – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This approach differs from the manner in which the government-wide financial statements are prepared. The governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in the fund balance. On this basis of accounting, revenues are recognized when they become measurable and available as assets. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is interest on general long-term debt, which is recognized as an expenditure when paid.

The records of the District and the budgetary process are based on the modified accrual basis of accounting. This practice is the accounting method prescribed by the Committee for School District Audits. The District is required by state law to adopt annual budgets for the general fund, special revenue fund and capital projects funds.

Estimates

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

Bowling Green Independent School District
Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are reported at fair value which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates, and investments that do not have an established market are reported at estimated fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

Inventory

Supplies and materials are charged to expenditures when purchased (purchases method) with the exception of the proprietary funds, which record inventory at the lower of cost, determined by first-in first-out ("FIFO") method, or market.

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.

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 \$5,000 with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 year
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years

Bowling Green Independent School District
Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

<u>Description</u>	<u>Estimated Lives</u>
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

Deferred Outflows of Resources

The District reports decreases in net position that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary funds statements of net position. The only deferred outflows of resources reported in this year's financial statements are a deferred amount arising from the refunding of bonds and a deferred outflow of resources for contributions made to the District's defined benefit pension plan between the measurement date of the net pension liabilities from the plan and the end of the District's fiscal year. The deferred refunding amount is being amortized over the remaining life of the refunding bonds as part of interest expense. No deferred outflows of resources affect the governmental funds financial statements in the current year.

Deferred Inflows of Resources

The District's statements of net position and its governmental fund balance sheet report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period(s). Deferred inflows of resources are reported in the District's various statements of net position for actual pension plan investment earnings in excess of the expected amounts included in determining pension expense. This deferred inflow of resources is attributed to pension expense over a total of 5 years, including the current year. In its governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The District will not recognize the related revenues until they are available (collected not later than 60 days after the end of the District's fiscal year) under the modified accrual basis of accounting. No deferred inflows of resources affect the governmental funds financial statements in the current year.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue.

Bowling Green Independent School District
Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

The District uses the vesting method to compute compensated absences for sick leave. Sick leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits at termination. The District records a liability for accumulated unused sick leave when earned for all employees with more than five years of service.

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

For governmental fund financial statements, compensated absences are reported as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the funds from which the employees will be paid.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. Bonds are recognized as a liability on the fund financial statements when due.

Net Position

The District classifies its net position into the following three categories:

Net investment in capital assets - This represents the District's total investment in capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position.

Restricted - The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

Bowling Green Independent School District Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unrestricted - The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

Property Taxes

Property taxes collected are recorded as revenues in the fund for which they were levied. The assessment date of the property taxes is January 1 of each year. The levy is normally set during the September board meeting. Assuming property tax bills are timely mailed, the collection date is the period from September 15 through December 31. Collections from the period September 15 through November 1 receive a two percent discount. The due date is the period from November 2 through December 31 in which no discount is allowed. Property taxes received subsequent to December 31 are considered to be delinquent and subject to a lien being filed by the City Attorney.

Revenues — Exchange and Non-Exchange Transactions

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Assets from property taxes are normally recognized when an enforceable legal claim arises. However, for the District, an enforceable legal claim arises after the period for which taxes are levied. Property taxes receivable are recognized in the same period that the revenues are recognized. The property taxes are normally levied in September.

On the modified accrual basis of accounting, assets and revenues from property taxes are 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



Bowling Green Independent School District
Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

requirements, in which the resources are provided to the District on a reimbursement basis. Revenues from non-exchange transactions must also be available before they can be recognized.

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 as non-operating revenues/expenses in proprietary funds.

Interfund Balances

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

Contributions of Capital

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the District, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

Subsequent Events

The District has evaluated any recognized or unrecognized subsequent events for consideration in the accompanying financial statements through November 6, 2015 which was the date the financial statements were made available.

Bowling Green Independent School District
Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued and Adopted Accounting Pronouncements

GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions: an amendment of GASB Statement No. 27*, improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. The District has implemented the new requirements of this statement for the fiscal year ended June 30, 2015. The implementation of GASB 68 resulted in the reduction of beginning net position by \$7,863,000

GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement 68* improves financial accounting and financial reporting by addressing an issue in GASB Statement No. 68 concerning transition provisions related to pension contributions made by employers and nonemployer contributing entities to defined benefit pension plans after the measurement date of the government's beginning net pension liability and prior to implementation of Statement No. 68. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68. The District has implemented the new requirements of this statement for the fiscal year ended June 30, 2015. The implementation of GASB 71 resulted in the recording of deferred outflows of resources of \$998,876 from the current year pension contributions.

NOTE 2: CASH AND INVESTMENTS

Deposits

At June 30, 2015, the carrying amounts of the District's deposits reflected in cash and investments were \$5,531,099 and the bank balances were \$6,157,934, which were covered by federal depository insurance or by collateral held by the bank's agent in the District's name.

Bowling Green Independent School District
Notes to the Financial Statements

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

The carrying amounts are reflected in the financial statements as follows:

<i>June 30,</i>	2015
Governmental funds	\$ 4,738,075
Proprietary funds	226,227
Fiduciary funds	554,885
	\$ 5,519,187

Custodial Credit Risk-Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. However, the District is required by state statute that bank deposits must be collateralized. The District's bank balance of \$6,157,934 was not exposed to custodial credit risk as of June 30, 2015.

Investments

<i>June 30, 2015</i>			
General Fund Investments	Rating	Maturities	Fair Value
CD	N/R	4/20/2018	\$ 11,912
			\$ 11,912

Bowling Green Independent School District
Notes to the Financial Statements

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

June 30, 2015

Sick Leave Trust Fund Investments	Rating	Maturities	Fair Value
Money Market	N/R	On Demand	\$ 108,964
Allen Co KY School Dist Fin Corp Sch Bldg Rev Ref DTD	Aa3	4/1/2020	52,990
Boone Cnty KY Sch Dist Fin Corp DTD	Aa3	2/1/2020	53,017
Florida St Brd of Edu Public Edu Ref Captial Outlay 2011 Ser F Go DTD	Aa1	6/1/2016	51,251
Green Cnty KY School Dist Fin	Aa3	8/1/2022	53,852
Jefferson County KY School District Fin	Aa2	3/1/2017	51,011
Kentucky St Ppty & Bldgs	Aa3	8/1/2018	55,644
Letcher Cnty KY School District Fin	Aa3	6/1/2018	52,478
Madison Cnty KY Sch Dist Fin Corp Second Ser DTD	Aa3	11/1/2019	65,717
Moline IL Ref Ser F Go DTD	Aa2	11/1/2017	53,386
New York City NY Transitional Fin Auth Rev Future Tax Secd Sub Ser E DTD	Aa1	11/1/2020	112,243
New York St Environmental Facs Corp St Clean St Clean Wtr & Drinking Revolving	Aaa	6/15/2021	53,661
New York Dorm Auth St Pers Income Tax Rev Gen Purp Ser E DTD	Aa1	2/15/2016	50,867
Ohio St Ref Higher Ed Ser A Go DTD	Aa1	8/1/2017	53,371
San Francisco City & Cnty CA Unif Sch Dist Ser A Go DTD	Aa2	6/15/2023	109,683
Union Cnty NC Ltd Oblig Ref DTD	Aa2	12/1/2018	52,830
Washington St Ref Var Purpose Ser R 2012C Go DTD	Aa1	7/1/2022	56,279
Washington St Ref Motor Vehicle Fuel Ser R 2011C Go DTD	Aa1	7/1/2015	75,008
Nuveen Limited Term Municipal	N/R	-	120,329
			\$ 1,282,581

Bowling Green Independent School District Notes to the Financial Statements

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Under Kentucky Revised Statutes Section 66.480, the District is authorized to invest in obligations of the United States and its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or of its agencies, obligations of any corporation of the United States government, certificates of deposit, commercial paper rated in one of the three highest categories by nationally recognized rating agencies and securities in mutual funds shall be eligible investments pursuant to this section. The District has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer. More than five percent of the District's investments are in New York City Transitional Fin Authority Revenue Future Tax Sub Series E, Nuveen Limited Term Municipal, San Francisco City and County CA Uniform School District Series A, Washington St Ref Motor Vehicle Fuel Series R 2011C and Madison County KY School District Financial Corporate Second Series. These investments are 8.75%, 9.38%, 8.55%, 5.85% and 5.12% respectively, of the District's total investments.

Risks and Uncertainties

The District invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, credit and market risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the account balances and the amounts reported in the financial statements.

Bowling Green Independent School District
Notes to the Financial Statements

NOTE 3: CAPITAL ASSETS

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

<i>June 30, 2015</i>	Capital Cost			Ending Balance
	Beginning Balance	Additions	Retirements/ Reclassifications	
Governmental Activities:				
Capital assets that are not depreciated:				
Land	\$ 1,690,856	\$ -	\$ -	\$ 1,690,856
Construction in progress	13,319,523	3,725,628	17,045,151	-
Total non-depreciable historical cost	15,010,379	3,725,628	17,045,151	1,690,856
Capital assets that are depreciated:				
Land improvements	1,684,073	-	23,897	1,660,176
Buildings and improvements	64,090,217	17,102,114	-	81,192,331
Technology equipment	5,087,727	64,662	250,475	4,901,914
Vehicles	2,680,236	-	-	2,680,236
General	1,575,659	21,327	14,338	1,582,648
Total non-depreciable historical cost	75,117,912	17,188,103	288,710	92,017,305
Less accumulated depreciation for:				
Land improvements	1,087,196	41,279	13,243	1,115,232
Buildings and improvements	22,587,234	1,681,774	-	24,269,008
Technology equipment	3,851,105	555,274	162,312	4,244,067
Vehicles	1,962,527	171,521	-	2,134,048
General	1,116,587	119,884	12,902	1,223,569
Total accumulated depreciation	30,604,649	2,569,732	188,457	32,985,924
Total depreciable historical cost, net	44,513,263	14,618,371	100,253	59,031,381
Governmental activities, capital assets, net	\$ 59,523,642	\$ 18,343,999	\$ 17,145,404	\$ 60,722,237

Bowling Green Independent School District
Notes to the Financial Statements

NOTE 3: CAPITAL ASSETS (CONTINUED)

<i>June 30, 2015</i>	Capital Cost			
	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Business-Type Activities:				
Capital assets that are depreciated:				
Technology equipment	\$ 29,244	\$ 1,417	\$ 3,887	\$ 26,774
General	1,054,872	4,733	21,735	1,037,870
Total depreciable historical cost	1,084,116	6,150	25,622	1,064,644
Less accumulated depreciation for:				
Technology equipment	17,941	3,935	2,222	19,654
General	709,040	69,523	20,147	758,416
Total accumulated depreciation	726,981	73,458	22,369	778,070
Business-type activities, capital assets, net	\$ 357,135	\$ (67,308)	\$ 3,253	\$ 286,574

Depreciation expense was charged to governmental functions as follows:

<i>Year Ended June 30,</i>	2015
Instruction	\$ 1,829,584
Support services:	
Student	345,582
Instructional staff	82,890
District administration	6,118
School administration	1,856
Business	2,104
Facilities operations	140,095
Student transportation	161,353
Other	150
Total depreciation expense	\$ 2,569,732

Bowling Green Independent School District
Notes to the Financial Statements

NOTE 4: LONG-TERM OBLIGATIONS

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

Issue Date	Proceeds	Rates
2003 KISTA	\$ 2,205,000	1.25% - 4.50%
2004	1,355,000	2.00% - 4.50%
2007	4,705,000	3.375% - 3.875%
2008	9,970,000	3.50% - 4.125%
2010	510,000	3.65%
2012	1,730,000	1.150% - 1.625%
2013	11,840,000	2.125% - 3.500%
2014	2,190,000	0.85%-3.70%
2014B	5,165,000	3.00% - 4.00%

On August 12, 2014, the District issued \$2,190,000 School Building Revenue Bonds with interest rates ranging .85% - 3.70% for the additions to the cafeteria and kitchen at McNeil Elementary School.

On November 1, 2014, the District issued \$5,165,000 in Revenue Refunding Bonds with an average interest rate of 3.5% to advance refund \$5,325,000 of outstanding 2005 Series bonds with an average interest rate of 3.75%. The net proceeds of \$5,424,844 (after payment of \$77,684 in underwriting fees, insurance and other insurance costs and bond premium of \$377,528) were transferred to an escrow agent to provide future debt service payments on the 2005 Series bonds. As a result, the advance refunded bonds are considered to be defeased and the liability has been removed from the government-wide financial statements. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$382,979. This difference reported in the accompanying financial statements as deferred outflows of resources and is being charged to operations through the year 2019 using the effective-interest method. The District completed the advance refunding to reduce its total debt service payments over the next 5 years by \$387,943 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$380,003.

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

Bowling Green Independent School District
Notes to the Financial Statements

NOTE 4: LONG-TERM OBLIGATIONS (CONTINUED)

The District has entered into "participation agreements" with the School Facility Construction Commission (SFCC). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts 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 amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the 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 follow:

Year	Bowling Green Independent School District		School Facility Construction Commission		Total Debt Service
	Principal	Interest	Principal	Interest	
2015—2016	\$ 1,711,897	\$ 1,034,960	\$ 334,103	\$ 128,896	\$ 3,209,856
2016—2017	1,769,216	980,593	342,784	119,916	3,212,509
2017—2018	1,821,368	930,622	350,632	112,068	3,214,690
2018—2019	1,623,335	879,519	359,665	103,036	2,965,555
2019—2020	1,673,504	823,927	370,496	92,201	2,960,128
2020—2021	1,448,200	772,368	221,800	83,394	2,525,762
2021—2022	1,462,545	720,291	228,455	76,739	2,488,030
2022—2023	1,481,502	667,170	235,498	69,694	2,453,864
2023—2024	1,534,907	610,211	243,093	62,122	2,450,333
2024—2025	1,587,698	550,936	191,302	54,285	2,384,221
2025—2026	1,646,973	489,695	198,027	47,558	2,382,253
2026—2027	1,710,936	425,525	205,064	40,521	2,382,046
2027—2028	1,774,595	358,313	212,405	33,183	2,378,496
2028—2029	1,437,828	287,699	195,172	26,006	1,946,705
2029—2030	1,470,575	254,130	143,425	20,109	1,888,239
2030—2031	1,521,595	203,974	138,405	15,198	1,879,172
2031—2032	1,567,608	152,168	117,392	10,767	1,847,935
2032—2033	1,628,195	97,185	121,805	6,577	1,853,762
2033—2034	544,991	30,901	45,009	2,214	623,115
2034—2035	562,669	10,408	37,331	687	611,095
	<u>\$ 29,980,137</u>	<u>\$ 10,280,595</u>	<u>\$ 4,291,863</u>	<u>\$ 1,105,171</u>	<u>\$ 45,657,766</u>

Bowling Green Independent School District
Notes to the Financial Statements

NOTE 4: LONG-TERM OBLIGATIONS (CONTINUED)

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

<i>June 30, 2015</i>	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015	Amounts Due within One Year
Governmental Activities:					
Bonds and Notes Payable:					
Bonds	\$ 34,207,000	\$ 7,355,000	\$ (7,290,000)	\$ 34,272,000	\$ 2,046,000
Less: deferred issuance discounts and premiums	(437,275)	305,305	(4,628)	(136,598)	-
Total bonds and notes payable	33,769,725	7,660,305	(7,294,628)	34,135,402	2,046,000
Other Liabilities:					
Compensated absences	1,707,187	63,682	(179,681)	1,591,188	475,302
Total other liabilities	1,707,187	63,682	(179,681)	1,591,188	475,302
Total long-term liabilities	\$ 35,476,912	\$ 7,723,987	\$ (7,474,309)	\$ 35,726,590	\$ 2,521,302

NOTE 5: FUND BALANCES

The Board follows GASB Statement Number 54. Under this statement, fund balance is separated into five categories, as follows:

Nonspendable fund balances are amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.

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 or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2015, the District had \$236,406 restricted in the special revenue fund for technology grants, \$1,282,581 as restricted in the sick leave trust for compensated absences and \$553,705 restricted in the nonmajor funds (\$126,398 for SFCC prior offers, \$403,182 for SFCC current offer, and \$24,125 for capital projects).

Bowling Green Independent School District Notes to the Financial Statements

NOTE 5: FUND BALANCES (CONTINUED)

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. The District had no commitments at June 30, 2015.

Assigned fund balances are 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 program supervisors to complete purchase orders which result in the encumbrance of funds. The amount assigned related to encumbrances at June 30, 2015 was \$874,441. Assigned fund balances also includes (a) all remaining amounts (except for 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.

It is the Board's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board or managerial obligations using restricted funds first, followed by committed funds, assigned funds and then unassigned funds. Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. Encumbrances remaining open at the end of the fiscal year are automatically rebudgeted in the following fiscal year. Encumbrances are considered a managerial assignment of fund balance at June 30, 2015 in the governmental funds balance sheet.

NOTE 6: PENSION PLANS

Pensions

Bowling Green Independent School District participates in the Teachers' Retirement System of the State of Kentucky (KTRS), a component unit of the Commonwealth of Kentucky and the County Employees' Retirement System (CERS), a component unit of the Commonwealth of Kentucky. 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 KTRS and the CERS and additions to/deductions from KTRS's and CERS's fiduciary net position have been determined on the same basis as they are reported by KTRS and CERS. For this purpose,

Bowling Green Independent School District Notes to the Financial Statements

NOTE 6: PENSION PLANS (CONTINUED)

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.

General Information About the KTRS Pension Plan

Plan Description

The KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. KTRS is a cost-sharing multiple-employer defined benefit plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the state.

KRS 161.250 provides that the general administration and management of KTRS, and the responsibility for its proper operation, is vested in a board of trustees. The board of trustees consists of the chief state school officer, the State Treasurer, and seven elected trustees. Four of the elected trustees are active teachers, two are not members of the teaching profession, and one is an annuitant of the retirement system.

Any regular or special teacher or professional employed by a local school district or a regional educational cooperative and occupying a position requiring certification or graduation from a four year college or university is eligible to participate in the plan. KTRS issues a publicly available financial report that can be found on the KTRS website.

Benefits Provided

KTRS provides retirement, medical, disability, annual cost of living adjustments, and death benefits to plan members. Plan members are divided into the following two categories:

For Members Hired Before July 1, 2008:

Members become vested when they complete 5 years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

- 1.) Attain age 55 and complete 5 years of Kentucky service, or
- 2.) Complete 27 years of Kentucky service.

Members receive monthly payments equal to 2% (service prior to July 1, 1983) and 2.5% (service after July 1, 1983) of their final average salaries for each year of credited service. Members hired on or after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each

Bowling Green Independent School District
Notes to the Financial Statements

NOTE 6: PENSION PLANS (CONTINUED)

year of service if, upon retirement, their total service is less than 10 years. New members hired after July 1, 2002 who retires with 10 or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first 10 years. In addition, members who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3% to be used in their benefit calculation.

The final average salary is the member's 5 highest annual salaries except members at least age 55 with 27 or more years of service may use their 3 highest annual salaries. For all members, the annual allowance is reduced by 5% per year from the earlier of age 60 or the date the member would have completed 27 years of service. The minimum annual service allowance for all members is \$440 multiplied by credited service.

For Members Hired On or After July 1, 2008:

Members become vested when they complete 5 years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

- 1.) Attain age 60 and complete 5 years of Kentucky service, or
- 2.) Complete 27 years of Kentucky service, or
- 3.) Attain age 55 and complete 10 years of Kentucky service.

The annual retirement allowance for members is equal to: (a) 1.7% of final average salary for each year of credited service if their service is 10 years or less; (b) 2.0% of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) 2.3% of final average salary for each year of credited service if their service is greater than 20 years but no more than 26 years; (d) 2.5% of final average salary for each year of credited service if their service is greater than 26 years but no more than 30 years; (e) 3.0% of final average salary for years of credited service greater than 30 years.

The final average salary is the member's 5 highest annual salaries except members at least age 55 with 27 or more years of service may use their 3 highest annual salaries. For all members, the annual allowance is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 27 years of service.

KTRS also provides disability benefits for vested members at the rate of 60% of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing members and \$5,000 for retired or disabled members.

Cost of living increases are 1.5% annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

Bowling Green Independent School District
Notes to the Financial Statements

NOTE 6: PENSION PLANS (CONTINUED)

Contributions

Contribution rates are established by KRS. KTRS members are required to contribute 11.355% of their salaries to the KTRS. For members employed by local school districts, the State, as a non-employer contributing entity, contributes 13.105% of salary for those who joined before July 1, 2008 and 14.105% for those who joined thereafter.

Other participating employers are required to contribute the percentage contributed by members plus an additional 1.50 percent of members' gross salaries.

Pension Liabilities and Pension Expense

At June 30, 2015, the amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth of Kentucky (State) support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$	-
State's proportionate share of the net pension liability associated with the District		<u>113,440,258</u>
Total	\$	<u><u>113,440,258</u></u>

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 June 30, 2013 rolled forward to June 30, 2014 using standard update procedures.

For the year ended June 30, 2015, the District recognized pension expense of \$5,558,804 and revenue of \$5,558,804 for support provided by the State in the government wide financial statements.

Actuarial Assumptions

The total pension liability in the June 30, 2013 actuarial valuation was determined using the following actuarial assumptions:

Bowling Green Independent School District
Notes to the Financial Statements

NOTE 6: PENSION PLANS (CONTINUED)

Valuation Date	June 30, 2013
Actuarial Cost Method	Entry Age
Actuarial Assumptions:	
Investment rate of return	7.50% net of pension plan investment expense, including inflation
Projected salary increases	4.00 - 8.20%, including inflation
Inflation rate	3.50%
Municipal bond index rate	4.35%
Discount rate	5.23%

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 AA to 2020 with a setback of 1 year for females. The last experience study was performed in 2011 and the next experience study is scheduled to be conducted in 2016.

The long-term expected rate of return on pension plan investments was determined using a log-normal 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. The target 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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	2.0%	1.5%
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 5.23%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required

Bowling Green Independent School District Notes to the Financial Statements

NOTE 6: PENSION PLANS (CONTINUED)

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. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2035 and a municipal bond index rate of 4.35% was applied to all periods of projected benefit payments after 2035. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued KTRS financial report.

Medical Insurance Plan

Plan Description

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

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

Contributions

In order to fund the post-employment healthcare benefit, active member contributions are matched by the state at .75% of members' gross salaries. Member contributions are 2.25% of salary. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan. Additionally, under the Shared Responsibility Plan, the local school district employers pay 2.25% of members' salary for the 2014-2015 fiscal year.

Bowling Green Independent School District Notes to the Financial Statements

NOTE 6: PENSION PLANS (CONTINUED)

General Information About the CERS Pension Plan

Plan Description

All regular full-time members of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the plan are covered by the CERS – a cost-sharing multiple-employer defined benefit pension plan administered by the Board of Trustees of the Kentucky Retirement System, under the provisions of KRS Section 61.645. CERS issues a publicly available financial report that can be found on the CERS website.

Benefits Provided

CERS provides retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Prior to July 1, 2009, Cost of Living Adjustments (COLAs) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. Effective July 1, 2009, and on July 1 of each year thereafter, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce the COLA if, in its judgment, the welfare of the Commonwealth so demands. On July 1, 2013, the COLA was not granted.

Contributions

Plan members who began participating prior to September 1, 2008, were required to contribute 5% of their annual creditable compensation. The participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the fiscal year ended June 30, 2015, participating employers contributed 17.67% of each employee's creditable compensation. The actuarially determined rate set by the Board for the fiscal year ended June 30, 2015, was 17.67%. Administrative costs of KRS are financed through employer contributions and investment earnings.

Bowling Green Independent School District Notes to the Financial Statements

NOTE 6: PENSION PLANS (CONTINUED)

In accordance with House Bill 1, signed by the Governor on June 27, 2008, plan members who began participating on, or after, September 1, 2008, were required to contribute a total of 6% of their annual creditable compensation. 5% of the contribution was deposited to the member's account while the 1% was deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E). Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1% contribution to the 401(b) account is non-refundable and is forfeited. For plan members who began participating prior to September 1, 2008, their contributions remain at 5% of their annual creditable compensation.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan.

Members in the plan contribute a set percentage of their salary each month to their own account. Non-hazardous members contribute 5% of their annual creditable compensation and 1% to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. For non-hazardous members, their account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District reported a liability of \$7,622,000 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 the District's share of 2014 contributions to the pension plan relative to the 2014 contributions of all participating employers, actuarially determined. At June 30, 2014, the District's proportion was .234929%.

For the year ended June 30, 2015, the District recognized pension expense of \$610,000. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Bowling Green Independent School District
Notes to the Financial Statements

NOTE 6: PENSION PLANS (CONTINUED)

\$998,876 reported as deferred outflows of resources 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	\$ 212,750
2017	212,750
2018	212,750
2019	212,750
Thereafter	-

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2014
Actuarial Cost Method	Entry Age
Actuarial Assumptions:	
Investment rate of return	7.75% net of pension plan investment expense, including inflation
Projected salary increases	4.50%, average, including inflation
Inflation rate	3.50%
Discount rate	7.75%

Mortality rates were based on 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 Annuity Mortality Table set forward five years is used for the period after the disability retirement.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2008.

Bowling Green Independent School District
Notes to the Financial Statements

NOTE 6: PENSION PLANS (CONTINUED)

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for CERS. 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 log - normal 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 covers a longer timeframe. 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Nominal Rate of Return
U.S. Equity	30.0%	8.45%
Non U.S. Equity	22.0%	8.85%
Emerging Market Equity	5.0%	10.50%
Private Equity	7.0%	11.25%
Real Estate	5.0%	7.00%
Core U.S. Fixed Income	10.0%	5.25%
High Yield U.S. Fixed Income	5.0%	7.25%
Non U.S. Fixed Income	5.0%	5.50%
Commodities	5.0%	7.75%
TIPS	5.0%	5.00%
Cash	1.0%	3.25%
Total	100.0%	

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The discount rate determination does not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 29 year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the

Bowling Green Independent School District
Notes to the Financial Statements

NOTE 6: PENSION PLANS (CONTINUED)

projection period. Projected future benefit payments for all current plan members were projected through 2116.

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 Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 10,030,000	\$ 7,622,000	\$ 5,494,000

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report.

Deferred Compensation Plans

The District offers its employees to defer compensation in accordance with Internal Revenue Code Section 457, 401(k) and 403(b). The Plans, available to all employees, permit them to defer a portion of their salary until future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, allows entities with little or no administrative involvement who do not perform the investing function for these plans to omit plan assets and related liabilities from their financial statements. The District, therefore, does not show these assets and liabilities in the financial statements.

NOTE 7: CONTINGENCIES

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

Bowling Green Independent School District
Notes to the Financial Statements

NOTE 7: CONTINGENCIES (CONTINUED)

the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

NOTE 8: RISK MANAGEMENT

The District is exposed to various forms of loss of assets associated with the risks related to torts; theft of, damage to and destruction of assets; fire, personal liability, vehicular accidents; errors and omissions; injuries to employees; fiduciary responsibility; and natural disasters. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which include workers' compensation insurance.

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

NOTE 9: LITIGATIONS

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

NOTE 10: EXCESS EXPENDITURES OVER APPROPRIATIONS

The District has one fund with a deficit fund balance, Food service (\$353,053). Also, the following funds had excess current year expenditures over current year appropriated revenues:

<i>Year Ended June 30, 2015</i>	
Fund	Amount
Construction	\$ 839,276
Special revenue	22,707
SEEK	304,357
Debt service	102,048
Sick leave trust	68,171
Private purpose trust	12,449

Bowling Green Independent School District
Notes to the Financial Statements

NOTE 11: FUND TRANSFERS

Fund transfers for the year ended June 30, 2015 consist of the following:

From Fund	To Fund	Purpose	Amount
General	Special revenue	Matching	\$ 87,463
General	Special revenue	Expenditures	1,100
FSPK	Construction	Construction	74,999
FSPK	Debt service	Debt service	2,649,645
SEEK	Construction	Construction	672,498
Sick Leave Trust	General	Expenditures	79,450

NOTE 12: ON-BEHALF PAYMENTS

The District receives on-behalf payments from the State of Kentucky for items including pension, technology, health care costs, operating costs and debt service. The amount received for the fiscal year ended June 30, 2015 was \$6,907,782. These payments were recorded as follows:

Year Ended June 30, 2015

Fund	Amount
General fund	\$ 6,357,571
Debt service fund	424,676
Food service fund	125,535
Total	\$ 6,907,782

Year Ended June 30, 2015

Technology	\$ 78,952
Health Insurance less Federal Reimbursements	3,905,812
Life Insurance	7,339
Administrative Fees	50,561
HRA/Dental/Vision Insurance	197,139
SFCC Debt Service	424,676
KTRS	2,243,303
Total	\$ 6,907,782

Bowling Green Independent School District
Budgetary Comparison Schedule for the General Fund

<i>Year Ended June 30, 2015</i>	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Local and intermediate sources	\$ 11,126,837	\$ 11,126,837	\$ 11,459,533	\$ 332,696
State programs	21,909,965	22,046,147	22,396,307	350,160
Federal programs	85,000	85,000	297,407	212,407
Total revenues	33,121,802	33,257,984	34,153,247	895,263
Expenditures				
Current:				
Instruction	20,688,625	20,688,625	20,428,258	260,367
Support services:				
Student	1,135,999	1,135,999	1,390,184	(254,185)
Instructional staff	1,477,248	1,477,248	1,563,653	(86,405)
District administration	994,969	994,969	1,058,227	(63,258)
School administration	1,822,715	1,822,715	1,817,838	4,877
Business	832,676	832,676	852,368	(19,692)
Plant operations and maintenance	4,826,678	4,736,678	4,853,466	(116,788)
Student transportation	1,683,660	1,683,660	1,599,477	84,183
Other	2,763,926	2,990,108	63,503	2,926,605
Total expenditures	36,226,496	36,362,678	33,626,974	2,735,704
Excess (deficiency) of revenues over expenditures	(3,104,694)	(3,104,694)	526,273	3,630,967

Bowling Green Independent School District
Budgetary Comparison Schedule for the General Fund

<i>Year Ended June 30, 2015</i>	Budgeted Amounts		Actual (Budgetary Basis)	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
Other Financing Sources (Uses)				
Operating transfers - net	(37,655)	(37,655)	(9,113)	28,542
Total other financing sources (uses)	(37,655)	(37,655)	(9,113)	28,542
Net change in fund balance	(3,142,349)	(3,142,349)	517,160	3,659,509
Fund balance - beginning of year	3,142,349	3,142,349	3,355,681	213,332
Fund balance - end of year	\$ -	\$ -	\$ 3,872,841	\$ 3,872,841

Bowling Green Independent School District
Budgetary Comparison Schedule for the Special Revenue Fund

<i>Year Ended June 30, 2015</i>	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Local and intermediate sources	\$ -	\$ -	\$ 1,381	\$ 1,381
State programs	1,299,414	1,583,493	1,659,823	76,330
Federal programs	2,771,311	2,745,717	2,786,289	40,572
Total revenues	4,070,725	4,329,210	4,447,493	118,283
Expenditures				
Current:				
Instruction	3,458,553	3,687,437	3,809,884	(122,447)
Support services:				
Student	136,989	146,093	108,735	37,358
Instructional staff	111,386	218,093	239,533	(21,440)
Student transportation	45,163	45,163	40,490	4,673
Other	356,289	356,402	360,121	(3,719)
Total expenditures	4,108,380	4,453,188	4,558,763	(105,575)
Excess (deficiency) of revenues over expenditures	(37,655)	(123,978)	(111,270)	12,708

Bowling Green Independent School District
Budgetary Comparison Schedule for the Special Revenue Fund

<i>Year Ended June 30, 2015</i>	Budgeted Amounts		Actual	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
Other Financing Sources (Uses)				
Operating transfers - net	37,655	123,978	88,563	(35,415)
Total other financing sources (uses)	37,655	123,978	88,563	(35,415)
Net change in fund balance	-	-	(22,707)	(22,707)
Fund balance - beginning of year	-	-	259,113	259,113
Fund balance - end of year	\$ -	\$ -	\$ 236,406	\$ 236,406

Bowling Green Independent School District
 Schedule of the District's Proportionate Share of the
 Net Pension Liability and Schedule of District's Contributions
 Kentucky Teachers' Retirement System

Schedule of the District's Proportionate Share of the Net Pension Liability-KTRS	
<i>As of June 30,</i>	<i>2015</i>
District's proportion of the net pension liability	0.0%
District's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the District	\$ 113,440,258
District's covered - employee payroll	\$ 16,374,918
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.0%
Plan fiduciary net position as a percentage of the total pension liability	45.6%

Schedule of the District's Contributions-KTRS	
<i>For the Year Ended June 30,</i>	<i>2015</i>
Contractually required contribution	\$ 2,243,303
Contributions in relation to the contractually required contribution	\$ 2,243,303
Contribution deficiency (excess)	\$ -
District's covered-employee payroll	\$ 17,975,258
Contributions as a percentage of covered-employee payroll	12.480%

Changes of Benefit Terms

None noted.

Changes of Assumptions

In the 2011 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2011. In the 2011 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2011 valuation, the Board adopted an interest smoothing methodology to calculate liabilities for purposes of determining the actuarially determined contributions.

Bowling Green Independent School District
 Schedule of the District's Proportionate Share of the
 Net Pension Liability and Schedule of District's Contributions
 County Employees Retirement System

Schedule of the District's Proportionate Share of the Net Pension Liability-CERS	
<i>As of June 30,</i>	2015
District's proportion of the net pension liability	0.234929%
District's proportionate share of the net pension liability	\$ 7,622,000
District's covered - employee payroll	\$ 5,394,299
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	70.8%
Plan fiduciary net position as a percentage of the total pension liability	66.8%

Schedule of the District's Contributions-CERS	
<i>For the Year Ended June 30,</i>	2015
Contractually required contribution	\$ 998,876
Contributions in relation to the contractually required contribution	\$ 998,876
Contribution deficiency (excess)	\$ -
District's covered-employee payroll	\$ 5,652,949
Contributions as a percentage of covered-employee payroll	17.67%

Changes of Benefit Terms

None noted.

Changes of Assumptions

None noted.

Bowling Green Independent School District
Combining Balance Sheet
Nonmajor Governmental Funds

<i>June 30, 2015</i>	SEEK Fund	FSPK Fund	Construction Fund	Debt Service Fund	Total Other Governmental Funds
Assets					
Cash	\$ 103,567	\$ 420,266	\$ 52,517	\$ -	\$ 576,350
Accounts receivable:					
Taxes	-	5,747	-	-	5,747
Total assets	\$ 103,567	\$ 426,013	\$ 52,517	\$ -	\$ 582,097
Liabilities					
Accounts payable	\$ -	\$ -	\$ 28,392	\$ -	\$ 28,392
Total liabilities	-	-	28,392	-	28,392
Fund Balances					
Restricted					
SFCC prior offer	103,567	22,831	-	-	126,398
SFCC current offer	-	403,182	-	-	403,182
Capital projects	-	-	24,125	-	24,125
Total fund balances	103,567	426,013	24,125	-	553,705
Total liabilities and fund balances	\$ 103,567	\$ 426,013	\$ 52,517	\$ -	\$ 582,097

Bowling Green Independent School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds

<i>Year Ended June 30, 2015</i>	SEEK Fund	FSPK Fund	Construction Fund	Debt Service Fund	Total Other Governmental Funds
Revenues					
From local sources:					
Taxes:					
Property	\$ -	\$ 1,426,192	\$ -	\$ -	\$ 1,426,192
Motor vehicle	-	82,837	-	-	82,837
Other	-	12,193	-	-	12,193
Earnings on investments	-	1,929	3,878	-	5,807
Other local revenue	-	-	7,500	-	7,500
Intergovernmental - state	368,141	1,397,946	-	424,676	2,190,763
Total revenues	368,141	2,921,097	11,378	424,676	3,725,292
Expenditures					
Debt service:					
Principal	-	-	-	1,965,000	1,965,000
Interest	-	-	-	1,211,369	1,211,369
Facilities acquisition and construction	-	-	1,190,667	-	1,190,667
Building improvement	-	-	2,534,961	-	2,534,961
Bond issuance costs	-	-	30,300	77,684	107,984
Total expenditures	-	-	3,755,928	3,254,053	7,009,981

Bowling Green Independent School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds

<i>Year Ended June 30, 2015</i>	SEEK Fund	FSPK Fund	Construction Fund	Debt Service Fund	Total Other Governmental Funds
Excess (deficiency) of revenues over expenditures	368,141	2,921,097	(3,744,550)	(2,829,377)	(3,284,689)
Other Financing Sources (Uses)					
Bond proceeds, net of discount	-	-	2,157,777	-	2,157,777
Bond proceeds - refunding bond, plus premium	-	-	-	5,502,528	5,502,528
Payment to refunded bond escrow agent	-	-	-	(5,424,844)	(5,424,844)
Operating transfers in	-	-	747,497	2,649,645	3,397,142
Operating transfers out	(672,498)	(2,724,644)	-	-	(3,397,142)
Total other financing sources (uses)	(672,498)	(2,724,644)	2,905,274	2,727,329	2,235,461
Net change in fund balances	(304,357)	196,453	(839,276)	(102,048)	(1,049,228)
Fund balances - beginning of year	407,924	229,560	863,401	102,048	1,602,933
Fund balances - end of year	\$ 103,567	\$ 426,013	\$ 24,125	\$ -	\$ 553,705

Bowling Green Independent School District
Combining Statement of Fiduciary Net Position
All Agency Funds

<i>June 30, 2015</i>	Agency Funds	Deferred Compensation	Total Agency Funds
Assets			
Cash	\$ 407,664	\$ 66,402	\$ 474,066
Accounts receivable	8,562	-	8,562
Total assets	\$ 416,226	\$ 66,402	\$ 482,628
Liabilities			
Accounts payable	\$ 12,039	\$ -	\$ 12,039
Deferred compensation payable	-	66,402	66,402
Due to student groups	404,187	-	404,187
Total liabilities	\$ 416,226	\$ 66,402	\$ 482,628

Bowling Green Independent School District
Combining Statement of Fiduciary Net Position
School Activity Funds
Agency Funds

<i>Year ended June 30, 2015</i>	Cash			Cash			Accounts	Accounts	Due to Student
	July 1, 2014	Receipts	Disbursements	June 30, 2015	Receivable	Payable	Groups	June 30, 2015	
Bowling Green High School	\$ 197,167	\$ 664,731	\$ 608,376	\$ 253,522	\$ 8,351	\$ 12,039	\$ 249,834		
Bowling Green Junior High School	49,542	167,494	158,039	58,997	-	-	58,997		
ParkerBennettCurry Elementary School	6,276	18,492	20,089	4,679	-	-	4,679		
T.C. Cherry Elementary School	22,623	20,937	19,441	24,119	-	-	24,119		
Potter Gray Elementary School	35,832	85,423	83,073	38,182	-	-	38,182		
Dishman-McGinnis Elementary School	9,332	17,227	17,298	9,261	-	-	9,261		
W.R. McNeil Elementary School	14,515	78,015	73,626	18,904	211	-	19,115		
Total	\$ 335,287	\$ 1,052,319	\$ 979,942	\$ 407,664	\$ 8,562	\$ 12,039	\$ 404,187		

Bowling Green Independent School District
Statement of Fiduciary Net Position
School Activity Funds
Bowling Green High School

<i>Year ended June 30, 2015</i>	Cash			Cash	Accounts	Accounts	Due to Student
	July 1, 2014	Receipts	Disbursements	June 30, 2015	Receivable	Payable	Groups
							June 30, 2015
General Fund	\$ 999	\$ 2,814	\$ 2,585	\$ 1,228	\$ -	\$ 524	\$ 704
Alumni Association	992	3,728	4,019	701	-	100	601
International Coffee	86	-	85	1	-	-	1
Reimbursables	(15,656)	14,814	3,329	(4,171)	3,332	-	(839)
Textbook Rental	-	12,708	12,708	-	-	-	-
Textbook Replacement	301	-	-	301	-	-	301
Youth Services Center	6,947	2,110	2,971	6,086	-	-	6,086
Hospitality Fund	608	1,225	1,244	589	-	106	483
Student Fund	4,937	5,159	4,692	5,404	-	3,954	1,450
Arabic Club	41	-	-	41	-	-	41
Beta Club	2,343	4,415	4,539	2,219	-	-	2,219
CEC	241	182	310	113	-	-	113
Deca Club	(1,970)	5,093	3,641	(518)	-	-	(518)
Disc Golf Club	661	50	54	657	-	-	657
Speech Drama Club	272	20	100	192	-	-	192
FBLA	75	3,355	2,918	512	-	-	512
FCA	596	120	120	596	-	-	596
FCCLA	(5,641)	33,301	30,619	(2,959)	3,000	426	(385)
FCCLA/Regional	3,792	2,381	2,142	4,031	-	-	4,031
French Club	287	8	10	285	-	-	285
FEA	18	646	604	60	-	-	60
GAPP	2	7,100	4,400	2,702	-	-	2,702
German Club	702	323	420	605	-	-	605
HI-Y Club	1	3,954	3,275	680	-	-	680
HOSA	462	500	60	902	-	-	902

Bowling Green Independent School District
Statement of Fiduciary Net Position
School Activity Funds
Bowling Green High School

<i>Year ended June 30, 2015</i>	Cash			Cash	Accounts	Accounts	Due to Student
	July 1, 2014	Receipts	Disbursements	June 30, 2015	Receivable	Payable	Groups
							June 30, 2015
Jr. Beta Club	170	-	-	170	-	-	170
Junior Class	5,536	8,545	10,042	4,039	-	500	3,539
Key Club	1	-	-	1	-	-	1
Literary Club	163	2,261	2,103	321	-	-	321
Mountain Bike Club	20	-	-	20	-	-	20
National Honor Society	1,990	10	133	1,867	-	-	1,867
Quiz Bowl Club	3	-	-	3	-	-	3
Spanish Club	152	-	73	79	-	-	79
Student Government	1,414	2,980	3,728	666	-	-	666
STLP	1,758	255	-	2,013	-	-	2,013
Vica Club	132	-	-	132	-	-	132
Young Democrats	62	-	-	62	-	-	62
Young Republicans	69	-	-	69	-	-	69
Purple Coffeehouse	100	396	396	100	-	-	100
Hacky Sack	380	-	-	380	-	-	380
Rock the Boat	109	433	433	109	-	-	109
Math Club	72	284	155	201	-	-	201
Gamers Guild	-	100	-	100	-	-	100
Comic Book Club	-	243	238	5	-	-	5
Science NHS	-	110	-	110	-	-	110
Bee Lords of BG	-	450	263	187	-	-	187
AP World History	56	1,557	1,613	-	-	-	-
Art Department	443	173	405	211	-	-	211
Band	-	1,946	2,291	(345)	-	-	(345)
Business Department	325	-	-	325	-	-	325
Choir	-	62,346	44,325	18,021	-	-	18,021

Bowling Green Independent School District
Statement of Fiduciary Net Position
School Activity Funds
Bowling Green High School

<i>Year ended June 30, 2015</i>	Cash			Cash	Accounts	Accounts	Due to Student
	July 1, 2014	Receipts	Disbursements	June 30, 2015	Receivable	Payable	Groups
							June 30, 2015
DC Trip	19,766	60,040	53,861	25,945	-	-	25,945
Multimedia	740	320	234	826	-	-	826
English Department	958	9,487	7,995	2,450	-	-	2,450
Math Department	793	675	450	1,018	-	-	1,018
Engraving	-	239	139	100	-	-	100
ESL	63	-	-	63	-	-	63
Fashion Design	2	-	-	2	-	-	2
Foods Fund	1	-	125	(124)	-	-	(124)
FMD Fund	203	-	-	203	-	-	203
Foreign Language	1	189	168	22	-	-	22
Greenhouse	584	-	-	584	-	-	584
PSAT Preparation	634	1,320	1,232	722	-	-	722
Purple GEM	890	1,158	1,218	830	-	-	830
Renaissance	57	-	25	32	-	-	32
ROTC	794	809	1,253	350	-	-	350
Science Department	43	322	341	24	-	-	24
Social Studies Department	981	697	822	856	-	-	856
AP US History	1,967	2,035	2,992	1,010	-	-	1,010
Annual	27,106	23,981	19,005	32,082	-	-	32,082
Guidance Department	2,133	237	374	1,996	-	20	1,976
HBCU Tour	2,553	-	50	2,503	-	-	2,503
Library Club	82	391	130	343	-	-	343
AP Testing	19,577	44,565	44,897	19,245	-	-	19,245
Athletics General	13,867	33,750	37,143	10,474	-	2,617	7,857
Bowling	-	566	566	-	-	-	-

Bowling Green Independent School District
Statement of Fiduciary Net Position
School Activity Funds
Bowling Green High School

<i>Year ended June 30, 2015</i>	Cash	Receipts	Disbursements	Cash	Accounts	Accounts	Due to Student
	July 1, 2014			June 30, 2015	Receivable	Payable	Groups
							June 30, 2015
Baseball	-	9,087	9,087	-	-	-	-
Boys Basketball	-	29,634	29,634	-	-	-	-
Girls Basketball	-	13,123	13,123	-	-	-	-
Cross Country	-	2,031	2,031	-	-	-	-
Football	-	45,129	45,129	-	-	-	-
Boys Golf	-	3,585	3,585	-	-	-	-
Girls Golf	-	370	370	-	-	-	-
Boys Soccer	-	17,130	17,130	-	-	-	-
Girls Soccer	-	12,063	12,063	-	-	-	-
Softball	-	5,614	5,614	-	-	-	-
Swimming	-	4,933	4,933	-	-	-	-
Tennis	-	2,974	2,974	-	-	-	-
Track	-	2,458	2,458	-	-	-	-
Volleyball	-	4,653	4,653	-	-	-	-
PTO Fund	1,598	387	142	1,843	-	-	1,843
Fishing Tournament Acct	-	1,939	1,939	-	-	-	-
Softball Pride Plus	4,437	11,460	4,908	10,989	-	-	10,989
Purple Striders	-	13,797	3,601	10,196	-	559	9,637
Girls Basketball Tournament	3,668	10,061	9,489	4,240	-	-	4,240
WBGIT	10,033	7,549	10,728	6,854	-	-	6,854
BGIT	5,380	12,715	15,007	3,088	-	-	3,088
Boys Basketball Tournament	746	17,381	15,082	3,045	-	1,733	1,312
Co-Ed Cheerleading	-	32,934	29,453	3,481	-	1,000	2,481
Tennis Tournament	760	4,854	2,947	2,667	-	-	2,667
Dance Team	6	359	365	-	-	-	-

Bowling Green Independent School District
Statement of Fiduciary Net Position
School Activity Funds
Bowling Green High School

<i>Year ended June 30, 2015</i>	Cash	Receipts	Disbursements	Cash	Accounts	Accounts	Due to Student
	July 1, 2014			June 30, 2015	Receivable	Payable	Groups
							June 30, 2015
3 Point Boys Basketball	5,219	30,348	34,807	760	500	-	1,260
Orchestra	-	542	2,061	(1,519)	1,519	-	-
Bill Hoagland Schools	410	-	-	410	-	-	410
Florence Jean Memo	1,000	-	-	1,000	-	-	1,000
Jon Clark Scholarship	3,180	500	1,000	2,680	-	-	2,680
Cecil Karrick Scholarship	4,005	-	-	4,005	-	-	4,005
CD Athletic Fund	16,087	80	-	16,167	-	-	16,167
CD Jon Clark Scholarship	32,792	165	-	32,957	-	500	32,457
Total	\$ 197,167	\$ 664,731	\$ 608,376	\$ 253,522	\$ 8,351	\$ 12,039	\$ 249,834

Bowling Green Independent School District
Schedule of Expenditures of Federal Awards

Year Ended June 30, 2015

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Child Nutrition Cluster			
Direct Program			
Food Distribution Program - noncash	10.555	-	\$ 184,305
Passed-Through State Department of Education:			
School Breakfast Program	10.553	7760005 15	411,048
Summer Meals Program	10.559	7740023 14	96,125
School Lunch Program	10.555	7750002 15	<u>1,293,599</u>
Subtotal			1,800,772
Child and Adult Care Food Program	10.558	7800016 15	6,252
Fresh Fruits and Vegetables Program	10.582	7720012 15	47,392
Total U.S. Department of Agriculture			<u>2,038,721</u>
U.S. Department of Defense			
Direct Program			
ROTC	12.000	-	63,827
Total U.S. Department of Defense			<u>63,827</u>
U.S. Department of Education			
Passed-Through State Department of Education:			
Title I - Part A Cluster			
Title I to Local Educational Agencies - 2014	84.010	3100002 13	128,351
Title I to Local Educational Agencies - 2015	84.010	3100002 14	1,282,869
Title I Delinquent Children in LEA - 2014	84.010	3100102 13	2,155
Title I Delinquent Children in LEA - 2015	84.010	3100202 14	<u>86,181</u>
Subtotal			1,499,556
Special Education Cluster			
Special Education - 2013	84.027	3810002 12	183
Special Education - 2014	84.027	3810002 13	6,727
Special Education - 2015	84.027	3810002 14	731,664
Special Education - Preschool - 2014	84.173	3800002 13	4,166
Special Education - Preschool - 2015	84.173	3800002 14	<u>37,348</u>
Subtotal			780,088

See accompanying notes to the Schedule of Expenditures of Federal Awards.

Year Ended June 30, 2015

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Federal Expenditures
English Language Acquisition Grants - 2014	84.365	3300002 13	812
English Language Acquisition Grants - 2015	84.365	3300002 14	70,011
Subtotal			70,823
Vocational Education - 2014	84.048	3710002 13	17,228
Vocational Education - 2015	84.048	3710002 14	42,822
Subtotal			60,050
Migrant Education	84.011	311A	79,432
Improving Teacher Quality - 2014	84.367	3230002 13	2,036
Improving Teacher Quality - 2015	84.367	3230002 14	199,046
Subtotal			201,082
Race to the Top	84.413A	3960002 11	325
Total U.S. Department of Education			2,691,356
U.S. Department of Health and Human Services			
Passed-Through State Department of Education:			
Refugee Children	93.576	4204	8,800
Refugee Children	93.576	420A	22,306
Total U.S. Department of Health and Human Services			31,106
Total expenditures of federal awards			\$ 4,825,010

See accompanying notes to the Schedule of Expenditures of Federal Awards.



Bowling Green Independent School District Notes to the Schedule of Expenditures of Federal Awards

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “schedule”) includes the federal grant activity of Bowling Green Independent School District (the “District”) under programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Nonmonetary assistance is reported in the schedule of fair value of the goods received.

Note 3: Subrecipients

There were no subrecipients during the fiscal year.



Bowling Green Independent School District
Summary Schedule of Prior Year Audit Findings

None.



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**Independent Auditors' 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
Bowling Green Independent School District
Bowling Green, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits as defined in the *Independent Auditor's Contract*, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Bowling Green Independent School District (the "District") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Bowling Green Independent School District's basic financial statements, and have issued our report thereon dated November 6, 2015.

Internal Control Over Financial Reporting

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

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 were not identified.

Compliance and Other Matters

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

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.

Carr, Riggs & Ingram, L.L.C.



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**Independent Auditors' Report on Compliance for Each Major Program
and on Internal Control over Compliance Required by OMB
Circular A-133**

Kentucky State Committee for School District Audits
Members of the Board of Education
Bowling Green Independent School District
Bowling Green, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Bowling Green Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. The District's major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. 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 the 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 the District's compliance.

Opinion on Each Major Federal Program

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

Kentucky State Committee for School District Audits
Members of the Board of Education
Bowling Green Independent School District

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.

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC
Bowling Green, Kentucky
November 6, 2015

Bowling Green Independent School District
Schedule of Findings and Questioned Cost

Section I — Summary of Auditors' Results

■ **Financial Statements**

Type of auditors' report issued: unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified Yes None reported

Noncompliance material to financial statements noted? Yes No

■ **Federal Awards**

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified Yes None reported

Type of auditors' report issued on compliance for major programs: unmodified

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

Bowling Green Independent School District
Schedule of Findings and Questioned Cost (continued)

Identification of major Federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program of Cluster</u>
84.010	Title I, Part A Cluster
84.367	Teacher Quality
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

Section II — Financial Statement Findings

None reported.

Section III — Federal Award Findings and Questioned Costs

None reported.



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Management Letter

Kentucky State Committee for School District Audits
Members of the Board of Education
Bowling Green Independent School District
Bowling Green, Kentucky

In planning and performing our audit of the financial statements of Bowling Green Independent School District (the "District") for the year ended June 30, 2015, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum accompanying this letter summarizes our comments and suggestions regarding those matters. Any uncorrected comments from the prior year have been listed in this letter. A separate report dated November 6, 2015 contains our report on the District's internal control. This letter does not affect our report dated November 6, 2015 on the financial statements of the District.

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

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC
Bowling Green, Kentucky
November 6, 2015

Prior Year Comments Not Corrected

• **Bowling Green High**

- In our procedures over activity funds, we noted several activity funds with deficit balances at year end. Appropriate transfers should be made to cover deficit balances.
- During our procedures over the activity funds, we noted that the school uses an activity fund account to make purchases to be paid with Board funds and then requests reimbursement from the central office. We recommend use of this account be limited to emergencies only when it is not feasible to submit a purchase order to the central office for payment.

• **Bowling Green Junior High**

- During our procedures over cash we noted two checks during the year made payable to cash for start up monies. Per Redbook compliance, checks for start up monies should be payable to the sponsor or responsible person not cash, the school, or the bank. We recommend start up monies be payable to the correct individuals.

Current Year Comments

• **W. R. McNeill**

- During our procedures over disbursements, we noted instances of invoices not being stamped as paid. We recommend that all invoices be stamped or marked as paid to ensure the duplication of expenditures does not occur.

• **Bowling Green Junior High**

- During our review of disbursements, we noted staff appreciation gifts and board member gifts were purchased with activity monies. Also, monies were moved from a student activity account to a teacher account. Student generated activity funds should only be spent on student related expense. We recommend all monies spent with activity funds be spent on students and not staff nor board members.
- During our procedures over receipts, we noted that the receipt numbers were not listed on the deposit slips. We recommend the receipt numbers be listed on the deposit slips.

• **Parker Bennett Curry**

- During our procedures over receipts, we noted no one other than the treasurer compares the receipts to the deposit slip. As an internal control, receipts should be compared to the deposit slip by another individual other than the person preparing the deposit. We recommend all receipts and deposit slips be reviewed by two individuals.

• **Dishman McGinnis**

- During our procedures over disbursements, we noted one purchase order that did not indicate the person requesting the purchase. We recommend the person requesting the purchase sign the purchase order.

• **Central Office**

- The internal control structure should be such that misstatements in the District's financial statements are prevented or detected and corrected on a timely basis. Audit adjustments were made to accounts receivable, debt service, and retainage payable. Certain internal controls were not in place to prevent or detect and correct misstatements. We recommend controls over the financial close process be reviewed to ensure significant amounts are reported correctly and timely in the District's financial statements.

Bowling Green Independent Schools

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Director of Transportation/Business Manager, **MIKE MCCLLOUD**
Director of Personnel, **KEN MAY**

Management's Response to Comments and Recommendations

PRIOR YEAR COMMENTS

- ◆ Management's Response to Prior Year Comments & Recommendations not corrected at Bowling Green High School
 - Management concurs and will stress to the principal and bookkeeper that appropriate transfers should be made to cover deficit balance activity funds.
 - Management concurs and will stress to the principal and bookkeeper that purchases to be made from SBDM/Board should not be first paid by activity funds then reimbursement requested from central office.
- ◆ Management's Response to Prior Year Comments & Recommendations not corrected at Bowling Green Junior High
 - Management concurs and will stress to the principal and bookkeeper that all checks for startup monies should be made payable to the sponsor or individual responsible.

CURRENT YEAR COMMENTS

- ◆ Management's Response to W.R. McNeill Elementary Comments & Recommendations
 - Management concurs and will stress to the principal and bookkeeper that all invoices are to be stamped or marked as paid.
- ◆ Management's Response to Parker Bennett Curry Comments & Recommendations
 - Management will stress to the principal and bookkeeper that all receipts and deposits slips be reviewed by two individuals.
- ◆ Management's Response to Bowling Green Jr. High Comments & Recommendations
 - Management will review with the principal and bookkeeper their process of depositing to insure receipts numbers are listed on the deposit slips.
 - Management concurs and will stress to the principal and bookkeeper that all monies spent with activity funds are to be spent on students only.

- ◆ Management's Response to Dishman-McGinnis Elementary School Comments & Recommendations
 - Management concurs and will stress to the principal and bookkeeper that the person requesting the purchase sign the purchase order.
- ◆ Management's Response to District Office Comments & Recommendations
 - Management concurs and will review year end close processes to identify any weaknesses in internal control.



THOUGHT LEADERSHIP



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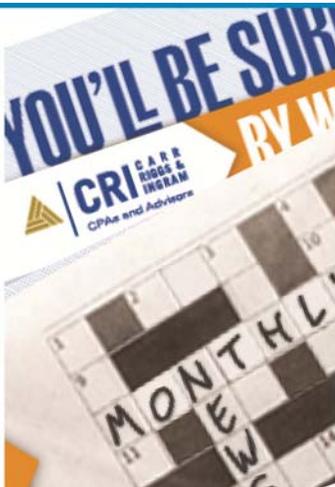
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