

BOYD COUNTY SCHOOL DISTRICT

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015**

TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	3-5
MANAGEMENT'S DISCUSSION AND ANALYSIS	6-9
 BASIC FINANCIAL STATEMENTS:	
 Government-wide Financial Statements -	
Statement of Net Position.....	10
Statement of Activities	11
 Fund Financial Statements -	
Balance Sheet - Governmental Funds.....	12
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position.....	13
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Net Position - Proprietary Fund.....	16
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund.....	17
Statement of Cash Flows - Proprietary Fund.....	18
Statement of Net Position - Fiduciary Funds.....	19
Statement of Changes in Net Position - Fiduciary Funds	20
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	21
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Special Revenue Fund	22
Notes to Financial Statements.....	23-41
 REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of District's Proportionate Share of the Net Pension Liability.....	42
Schedule of Pension Contributions	43
Notes to Required Supplementary Information.....	44
 SUPPLEMENTAL INFORMATION:	
 Combining and Individual Statements - Non-Major Funds -	
Combining Balance Sheet - Non-Major Governmental Funds.....	45
Combining Statement of Revenues, Expenditures and Changes In Fund Balances - Non-Major Governmental Funds	46
Combining Balance Sheet - Non-Major Capital Project Funds	47
Combining Statement of Revenues, Expenditures and Changes In Fund Balances - Non-Major Capital Project Funds	48
Combining Balance Sheet - Non-Major Debt Service Funds	49
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-Major Debt Service Funds	50
 Other -	
Statement of Grant, Receipts, Disbursements And Fund Balance:	
Head Start -	
Grant Project No. 04-CH-002409/48 and 04-CH-4710/01	51

Statement of Changes in Assets and Liabilities - School Activity Funds	52
Statement of Changes in Assets and Liabilities - Boyd County High School	53-54
Schedule of Expenditures of Federal Awards	55-56
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	57-58
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133	59-60
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	61
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	62
CORRECTIVE ACTION PLAN	63
INDEPENDENT AUDITOR'S TRANSMITTAL LETTER FOR MANAGEMENT LETTER POINTS	64
MANAGEMENT LETTER POINTS	65-66



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INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for
School District Audits
Members of the Board of Education
Boyd County School District
Ashland, 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 Boyd County 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.

Auditor's Responsibility

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

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

no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Emphasis of Matter

As described in Note 14 to the financial statements, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, effective July 1, 2014. 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 information on pages 6 through 9 and the Schedule of Proportionate Share of the Net Pension Liability and Schedule of Contributions on pages 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency in management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2015, on our consideration of Boyd County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Kelley Galloway Smith Goolsby, PSC

October 12, 2015
Ashland, Kentucky

**BOYD COUNTY SCHOOL DISTRICT - ASHLAND, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2015**

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

FINANCIAL HIGHLIGHTS

- The District refinanced debt this year to take advantage of reduced interest rates. The refinanced debt was originally issued in 2010 to build a high school building. This action will save the District more than \$1.2 million in interest over the life of the debt. The net effect on the District's total debt of these actions, combined with scheduled payments, was a decrease of \$1,368,650 in outstanding principal balances during the current fiscal year.
- The District received good news in September 2014 from the Kentucky School Facilities Construction Commission, the state agency created to help finance public school construction. The District's middle school qualified for urgent needs construction funding to renovate the 1976 structure. This funding could amount to about \$20 million and add very little debt service costs to the District. Construction is scheduled to begin in the early part of 2016.
- The District implemented GASB 68 this year. There are two sources of pension liabilities with which the District has to contend. The Kentucky Teachers Retirement System covers the District's professional staff members. It had analysis performed by Cavanaugh Macdonald Consulting, LLC to determine each Kentucky school district's share of pension liabilities for its professional staff. This debt is the responsibility of the State of Kentucky. Our allocated amount was \$95,830,961, as of June 30, 2014. Our non-professional staff members are covered by the Kentucky County Employee Retirement System. Under this system the District's share of the pension liabilities was \$6,992,000, as of June 30, 2014. The District does not believe these disclosures will have a major impact on their day to day operations or the financial health of District. The District's bond rating is based on the State's rating so we have little control over our cost of borrowing.
- The Governor has appointed a task force to make recommendations regarding the unfunded liabilities of the Teacher Retirement System. These recommendations are due by December 2015 in anticipation of instituting action, in the General Assembly's regular biennial session beginning in January 2016, to improve the financial condition of this retirement system. All parties agree something has to be done. It is now a matter of agreeing on what action will be taken.
- State funding for the operation of schools in Kentucky is slowly improving. When the Kentucky General Assembly meets in January 2016, their primary task is to adopt a State budget for the next two year period, beginning July 1, 2016. There are many programs needing additional funding. We are hopeful K-12 education will receive additional funding without additional spending mandates attached.

- The General Fund had approximately \$27.0 million (excluding other financing sources) in revenue in 2015, which primarily consisted of the state program for school funding (SEEK) and local property, utility, and motor vehicle taxes. There were approximately \$26.1 million (excluding other financing uses) in General Fund expenditures this year.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Taxes and intergovernmental revenues also support fixed assets and related debt. The government-wide financial statements can be found on pages 10 and 11 of this report.

Fund financial statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary, and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary fund is our vending and food service operations. All other activities of the District are included in the governmental funds. The basic governmental fund financial statements can be found on pages 12-22 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 23-41 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of

resources by \$14.0 million as of June 30, 2015. The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

Government-wide Basis	<u>June 30, 2015</u>	<u>(Restated) June 30, 2014</u>
Current Assets	\$ 3,935,804	\$ 3,480,074
Noncurrent Assets	<u>51,938,048</u>	<u>53,030,662</u>
Total Assets	<u>55,873,852</u>	<u>56,510,736</u>
Deferred Outflows	954,400	1,023,231
Current Liabilities	\$ 3,215,226	\$ 3,067,520
Noncurrent Liabilities	<u>38,853,242</u>	<u>41,497,824</u>
Total Liabilities	<u>42,068,468</u>	<u>44,565,344</u>
Deferred Inflows	780,000	-
Investment in capital assets (net of debt)	19,652,329	18,473,189
Restricted	(136,750)	151,108
Unrestricted	<u>(5,535,795)</u>	<u>(5,735,674)</u>
Total Net Position	<u>\$ 13,979,784</u>	<u>\$ 12,888,623</u>

The following table presents a summary of revenue and expense on a government-wide basis for the fiscal years ended June 30, 2015 and 2014, respectively.

	<u>2015 Amount</u>	<u>2014 Amount</u>
Revenues:		
Local Revenue Sources	\$ 11,387,036	\$ 10,745,840
State Revenue Sources	22,890,038	19,111,300
Direct Federal Sources	1,467,280	1,315,954
Federal Subsidy	335,556	525,509
Indirect Federal Sources	3,021,379	3,313,655
Interest Income	7,202	5,708
Other Sources	<u>930,259</u>	<u>791,052</u>
Total revenues	<u>40,038,750</u>	<u>35,809,018</u>
Expenses:		
Instruction	22,589,408	19,846,661
Student Support Services	1,943,748	1,707,917
Instructional Support	1,724,292	1,293,138
District Administration	816,053	634,098
School Administration	1,618,210	1,396,209
Business Support	503,243	450,275

Plant Operations	4,540,489	4,286,128
Student Transportation	1,753,059	2,192,477
Community Services	246,599	236,517
Food Service Operations	1,470,072	1,523,567
Debt Service - Interest	<u>1,742,416</u>	<u>1,445,839</u>
Total expenses	<u>38,947,589</u>	<u>35,012,826</u>
Revenue over (under) expenses	<u>\$ 1,091,161</u>	<u>\$ 796,192</u>

FUND BASIS

- The District's total revenues for the governmental funds for the fiscal year ended June 30, 2015 and 2014, net of inter-fund transfers and bond proceeds, was approximately \$35.6 million and \$34.2 million, respectively.
- The total cost of all programs and services for the governmental funds was approximately \$31.1 million and \$30.8 million, net of debt service and facilities acquisition and construction, for the fiscal years ended June 30, 2015 and 2014, respectively.

Comments on Budget Comparisons

- General Fund budgeted local tax revenue compared to actual local tax revenue varied from line item to line item again this year. Local tax collections as a group were \$549,517 above budget projections. We interpret this as an indication that our local economy is recovering from the recession.

CAPITAL ASSETS

At the end of June 30, 2015, the District's investment in capital assets for its governmental and business-type activities was \$51,938,048, representing a decrease of \$1,092,614, net of depreciation, from the prior year.

DEBT SERVICE

At year-end, the District had approximately \$33.0 million in outstanding debt, compared to \$34.6 million last year. The District continues to maintain favorable debt ratings from Moody's and Standard & Poor's.

FUTURE BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1-June 30; other programs, (i.e. some federal programs) operate on a different fiscal calendar, but are reflected in the District's overall budget. By state law the budget must have a minimum 2% contingency. The District adopted a budget for 2016 with \$1.5 million in contingency (5.3%). The Governmental Funds beginning unrestricted balance for the 2016 fiscal year is \$2.1 million. Questions regarding this report should be directed to Superintendent R. Brock Walter (606) 928-4141 or to Director of Finance Don Fleu (606) 928-4141 or by mail at 1104 Bob McCullough Drive, Ashland, Kentucky 41102.

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 2,490,562	\$ 546,305	\$ 3,036,867
Receivables (net of allowances for uncollectibles):			
Taxes	632,965	-	632,965
Other	3,534	-	3,534
Interfund receivable	25,756	-	25,756
Intergovernmental - state	132,863	-	132,863
Intergovernmental - federal	30,975	12,713	43,688
Inventories	-	60,131	60,131
Capital assets, not being depreciated	2,583,835	-	2,583,835
Capital assets, being depreciated, net	48,786,963	567,250	49,354,213
Total assets	<u>54,687,453</u>	<u>1,186,399</u>	<u>55,873,852</u>
Deferred Outflows of Resources			
Deferred savings from refunding bonds	81,495	-	81,495
Deferred pension contributions	778,561	94,344	872,905
Total deferred outflows of resources	<u>860,056</u>	<u>94,344</u>	<u>954,400</u>
Liabilities			
Accounts payable	388,041	10,251	398,292
Accrued salaries and benefits payable	217,536	-	217,536
Accrued interest payable	329,452	-	329,452
Deferred revenue	326,175	-	326,175
Portion due or payable within one year:			
Debt obligations	1,850,000	-	1,850,000
Capital leases	77,239	-	77,239
KSBIT	16,532	-	16,532
Noncurrent liabilities:			
Net pension liability	6,236,299	755,701	6,992,000
Portion due or payable after one year:			
Debt obligations, net of discounts of \$327,786	30,517,214	-	30,517,214
Capital leases	484,100	-	484,100
KSBIT	82,662	-	82,662
Accrued sick leave	777,266	-	777,266
Total liabilities	<u>41,302,516</u>	<u>765,952</u>	<u>42,068,468</u>
Deferred Inflows of Resources			
Deferred earnings on pension investments	695,697	84,303	780,000
Total deferred inflows of resources	<u>695,697</u>	<u>84,303</u>	<u>780,000</u>
Net Position			
Net investment in capital assets	19,085,079	567,250	19,652,329
Restricted	12	(136,762)	(136,750)
Unrestricted	(5,535,795)	-	(5,535,795)
Total net position	<u>\$ 13,549,296</u>	<u>\$ 430,488</u>	<u>\$ 13,979,784</u>

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

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

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
Instruction	\$ 22,589,408	\$ -	\$ 3,629,891	\$ -	\$ (18,959,517)	\$ -	\$ (18,959,517)
Support services:							
Students	1,943,748	-	349,520	-	(1,594,228)	-	(1,594,228)
Instructional staff	1,724,292	-	425,568	-	(1,298,724)	-	(1,298,724)
District administration	816,053	-	-	-	(816,053)	-	(816,053)
School administration	1,618,210	-	125,704	-	(1,492,506)	-	(1,492,506)
Business and other support services	503,243	-	38,487	-	(464,756)	-	(464,756)
Operation and maintenance of plant	4,540,489	-	98,212	-	(4,442,277)	-	(4,442,277)
Student transportation	1,753,059	-	65,910	-	(1,687,149)	-	(1,687,149)
Community services	246,599	-	246,403	-	(196)	-	(196)
Debt service - interest	1,742,416	-	-	838,919	(903,497)	-	(903,497)
Total governmental activities	<u>37,477,517</u>	<u>-</u>	<u>4,979,695</u>	<u>838,919</u>	<u>(31,658,903)</u>	<u>-</u>	<u>(31,658,903)</u>
Business-type activities:							
Food service	1,470,072	322,480	1,207,497	-	-	59,905	59,905
Total business-type activities	<u>1,470,072</u>	<u>322,480</u>	<u>1,207,497</u>	<u>-</u>	<u>-</u>	<u>59,905</u>	<u>59,905</u>
Total primary government	<u>\$ 38,947,589</u>	<u>\$ 322,480</u>	<u>\$ 6,187,192</u>	<u>\$ 838,919</u>	<u>\$ (31,658,903)</u>	<u>\$ 59,905</u>	<u>\$ (31,598,998)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					\$ 7,284,422	\$ -	\$ 7,284,422
Motor vehicle					1,112,228	-	1,112,228
Utilities					2,667,333	-	2,667,333
Intergovernmental revenues:							
State					20,714,729	-	20,714,729
Investment earnings					6,620	582	7,202
Gain on sale of assets					10,076	(83)	9,993
Other local revenues					893,679	573	894,252
Total general revenues and transfers					<u>32,689,087</u>	<u>1,072</u>	<u>32,690,159</u>
Change in net position					1,030,184	60,977	1,091,161
Net position, June 30, 2014, as restated					<u>12,519,112</u>	<u>369,511</u>	<u>12,888,623</u>
Net position, June 30, 2015					<u>\$ 13,549,296</u>	<u>\$ 430,488</u>	<u>\$ 13,979,784</u>

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

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

	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 2,013,207	\$ 187,634	\$ 111,347	\$ 178,374	\$ 2,490,562
Receivables (net of allowances for uncollectibles):					
Property taxes	632,965	-	-	-	632,965
Other	3,534	-	-	-	3,534
Interfund receivable	25,756	-	-	-	25,756
Intergovernmental - state	4,153	128,710	-	-	132,863
Intergovernmental - federal	17,429	13,546	-	-	30,975
Total assets	<u>\$ 2,697,044</u>	<u>\$ 329,890</u>	<u>\$ 111,347</u>	<u>\$ 178,374</u>	<u>\$ 3,316,655</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 244,917	\$ 3,715	\$ 111,347	\$ 28,062	\$ 388,041
Interfund payable	-	-	-	-	-
Accrued salaries and benefits payable	217,536	-	-	-	217,536
Deferred revenue	-	326,175	-	-	326,175
Total liabilities	<u>462,453</u>	<u>329,890</u>	<u>111,347</u>	<u>28,062</u>	<u>931,752</u>
Fund balances:					
Non-spendable	-	-	-	-	-
Restricted	-	-	-	12	12
Committed	-	-	-	144,924	144,924
Assigned	123,093	-	-	5,376	128,469
Unassigned	2,111,498	-	-	-	2,111,498
Total fund balances	<u>2,234,591</u>	<u>-</u>	<u>-</u>	<u>150,312</u>	<u>2,384,903</u>
Total liabilities and fund balances	<u>\$ 2,697,044</u>	<u>\$ 329,890</u>	<u>\$ 111,347</u>	<u>\$ 178,374</u>	<u>\$ 3,316,655</u>

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

BOYD COUNTY SCHOOL DISTRICT

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

Fund balances—total governmental funds		\$ 2,384,903
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 in the funds.		51,370,798
Savings from refunding bonds are not available to pay current period expenditures and therefore are not reported in the funds.		81,495
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Deferred pension investment earnings	(695,697)	
Deferred pension contributions	778,561	82,864
Some liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.		
Net pension liability	(6,236,299)	
Bonds payable	(32,367,214)	
Capital leases payable	(561,339)	
KSBIT payable	(99,194)	
Accrued sick leave	(777,266)	
Accrued interest payable	(329,452)	(40,370,764)
Net position of governmental activities		<u>\$ 13,549,296</u>

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

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

	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
From local sources:					
Taxes -					
Property	\$ 5,799,456	\$ -	\$ -	\$ 1,484,966	\$ 7,284,422
Motor vehicles	1,112,228	-	-	-	1,112,228
Utilities	2,667,333	-	-	-	2,667,333
Tuition and fees	-	-	-	-	-
Interest income	5,688	198	-	734	6,620
Other local revenues	652,893	26,587	-	240,786	920,266
Intergovernmental - State	16,630,071	1,641,132	-	1,566,879	19,838,082
Intergovernmental - Federal through intermediate agencies	-	(1)	-	-	(1)
Intergovernmental - Indirect federal	101,795	1,904,411	-	-	2,006,206
Intergovernmental - Direct federal	59,714	1,407,566	-	-	1,467,280
Intergovernmental - Federal subsidy	-	-	-	265,766	265,766
Total revenues	<u>27,029,178</u>	<u>4,979,893</u>	<u>-</u>	<u>3,559,131</u>	<u>35,568,202</u>
Expenditures:					
Current:					
Instruction	15,721,711	3,701,611	-	192,896	19,616,218
Support services:			-		
Students	1,444,311	349,520	-	-	1,793,831
Instructional staff	1,121,619	425,568	-	47,824	1,595,011
District administration	776,445	-	-	-	776,445
School administration	1,347,522	125,704	-	-	1,473,226
Business and other support services	467,670	38,487	-	-	506,157
Operation and maintenance of plant	3,672,333	98,212	-	-	3,770,545
Student transportation	1,502,611	65,910	-	9,264	1,577,785
Community services	-	246,403	-	-	246,403
Facilities acquisition and construction	-	-	487,935	-	487,935
Debt service	89,966	-	-	3,257,834	3,347,800
Total expenditures	<u>26,144,188</u>	<u>5,051,415</u>	<u>487,935</u>	<u>3,507,818</u>	<u>35,191,356</u>
Excess (deficiency) of revenues over expenditures	<u>884,990</u>	<u>(71,522)</u>	<u>(487,935)</u>	<u>51,313</u>	<u>376,846</u>
Other financing sources (uses):					
Gain on sale of equipment	12,108	1,292	-	-	13,400
Capital lease proceeds	-	-	-	-	-
Proceeds from issuance of debt	-	-	-	30,391,977	30,391,977
Payment to refunded bond escrow agent	-	-	-	(30,228,397)	(30,228,397)
Transfers in	225,608	70,230	487,935	2,255,335	3,039,108
Transfers out	(367,732)	-	-	(2,671,376)	(3,039,108)
Total other financing sources and uses	<u>(130,016)</u>	<u>71,522</u>	<u>487,935</u>	<u>(252,461)</u>	<u>176,980</u>
Net change in fund balances	754,974	-	-	(201,148)	553,826
Fund balances, June 30, 2014	<u>1,479,617</u>	<u>-</u>	<u>-</u>	<u>351,460</u>	<u>1,831,077</u>
Fund balances, June 30, 2015	<u>\$ 2,234,591</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 150,312</u>	<u>\$ 2,384,903</u>

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

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

Net change in fund balances—total governmental funds \$ 553,826

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Loss on disposal of assets	(3,324)	
Capital outlay	686,654	
Depreciation expense	<u>(1,774,366)</u>	(1,091,036)

Bond and capital lease proceeds, including related premiums and discounts, are recognized as revenues in the fund financial statement, but are increases in liabilities in the statement of net position.

Bonds and refunding bonds issued	(30,710,000)	
Premiums and discounts on bonds and refunding bonds issued	318,023	
Payments to refunded bond escrow agent	30,215,000	(176,977)

Generally, expenditures recognized in the fund financial statements are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred for the following:

Long-term portion of accrued sick leave		(153,496)
Amortization of deferred savings from refunding bonds		(21,573)
Amortization of bond discounts and premiums		(67,670)
Accrued interest payable		(169,417)

Governmental funds report pension contributions as expenditures when paid. However, in the Statement of Activities, pension expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows of resources related to pensions, and investment experience.

KTRS on-behalf revenue	2,929,423	
KTRS on-behalf pension expense	(2,929,423)	
CERS contributions	778,562	
CERS Pension expense	<u>(499,476)</u>	279,086

Governmental funds do not report the effect of gain or losses on refunding of debt, whereas these amounts are deferred and amortized in the statement of activities.

13,791

Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statements, but are reductions of liabilities in the statement of net position.

1,863,650

Change in net position of governmental activities

\$ 1,030,184

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

BOYD COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2015

	<u>Food Service Fund</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 546,305
Receivables (net of allowances for uncollectibles)	
Intergovernmental - federal	12,713
Inventories	<u>60,131</u>
Total current assets	<u>619,149</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>567,250</u>
Total noncurrent assets	<u>567,250</u>
Total assets	<u>1,186,399</u>
Deferred Outflows of Resources	
Deferred pension contributions	<u>94,344</u>
Total deferred outflows of resources	<u>94,344</u>
Total assets and deferred outflows	<u>\$ 1,280,743</u>
Liabilities	
Current liabilities:	
Accounts payable	<u>\$ 10,251</u>
Total current liabilities	<u>10,251</u>
Noncurrent liabilities:	
Net pension liability	<u>755,701</u>
Total noncurrent liabilities	<u>755,701</u>
Total liabilities	<u>765,952</u>
Deferred Inflows of Resources	
Deferred earnings on pension investments	<u>84,303</u>
Total deferred inflows of resources	<u>84,303</u>
Net Position	
Net investment in capital assets	567,250
Restricted	<u>(136,762)</u>
Total net position	<u>430,488</u>
Total liabilities and net position	<u>\$ 1,280,743</u>

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

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

	<u>Food Service Fund</u>
Operating revenues:	
Lunchroom sales	\$ 322,480
Miscellaneous	573
Total operating revenues	<u>323,053</u>
Operating expenses:	
Salaries and wages	538,327
Employee benefits	212,806
Materials and supplies	595,889
Depreciation	57,767
Other operating expenses	65,283
Total operating expenses	<u>1,470,072</u>
Operating loss	<u>(1,147,019)</u>
Nonoperating revenues:	
Federal grants	1,015,174
Gain / (loss) on sale of equipment	(83)
Investment income	582
Donated commodities	69,790
State grants	122,533
Total nonoperating revenue	<u>1,207,996</u>
Increase in net position	60,977
Net position, June 30, 2014, as restated	<u>369,511</u>
Net position, June 30, 2015	<u>\$ 430,488</u>

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

**BOYD COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Food Service Fund</u>
Cash flows from operating activities:	
Cash received from:	
Lunchroom sales	\$ 322,480
Miscellaneous	573
Cash paid to/for:	
Payments to suppliers and providers of goods and services	(522,297)
Payments to employees	(677,326)
Other payments	(65,283)
Net cash used for operating activities	<u>(941,853)</u>
 Cash flows from noncapital financing activities:	
Government grants	<u>1,029,883</u>
Net cash provided by noncapital and related financing activities	<u>1,029,883</u>
 Cash flows from capital and related financing activities:	
Purchases of capital assets	<u>(56,272)</u>
Net cash used for capital and related financing activities	<u>(56,272)</u>
 Cash flows from investing activities:	
Interest received on investments	<u>582</u>
Net cash provided by investing activities	<u>582</u>
 Net increase in cash and cash equivalents	32,340
 Cash and cash equivalents, June 30, 2014	<u>513,965</u>
 Cash and cash equivalents, June 30, 2015	<u>\$ 546,305</u>
 Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (1,147,019)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	57,767
Donated commodities	69,790
On-behalf payments	107,626
Net pension adjustment	(33,819)
Change in assets and liabilities:	
Inventory	492
Accounts payable	3,310
Net cash provided by (used for) operating activities	<u>\$ (941,853)</u>
 Non-cash items:	
Donated commodities	\$ 69,790
On-behalf payments	107,626

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

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

	Trust Funds	Day Care Funds	Activity Funds
Assets			
Cash and cash equivalents	\$ 110,619	\$ -	\$ 417,207
Accounts receivable	-	27,046	4,618
Total assets	110,619	27,046	421,825
Liabilities			
Accounts payable	-	-	-
Interfund payable	-	25,756	-
Due to students	-	-	421,825
Total liabilities	-	25,756	421,825
Net position held in trust	\$ 110,619	\$ 1,290	\$ -

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

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

	Trust Funds	Day Care Funds
	<u> </u>	<u> </u>
Additions -		
Interest income	\$ 164	\$ -
Other local revenues	13,109	201,452
Intergovernmental - State (on-behalf)	-	32,133
	<u>13,273</u>	<u>233,585</u>
 Deductions -		
Operating expenses	-	232,555
Benefits paid	4,108	-
	<u>4,108</u>	<u>232,555</u>
 Change in net position	 9,165	 1,030
 Net position, June 30, 2014	 <u>101,454</u>	 <u>260</u>
 Net position, June 30, 2015	 <u>\$ 110,619</u>	 <u>\$ 1,290</u>

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

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes -				
Property	\$ 5,183,500	\$ 5,879,500	\$ 5,799,456	\$ (80,044)
Motor vehicles	950,000	950,000	1,112,228	162,228
Utilities	2,200,000	2,200,000	2,667,333	467,333
Tuition and fees	-	-	-	-
Interest income	4,500	4,500	5,688	1,188
Other local revenues	535,000	600,000	652,893	52,893
Intergovernmental - State	16,831,449	16,630,504	16,630,071	(433)
Intergovernmental - Indirect federal	60,000	60,000	101,795	41,795
Intergovernmental - Direct federal	63,000	60,000	59,714	(286)
Total revenues	<u>25,827,449</u>	<u>26,384,504</u>	<u>27,029,178</u>	<u>644,674</u>
Expenditures:				
Current:				
Instruction	16,684,781	16,699,388	15,721,711	977,677
Support services:				
Students	1,294,051	1,439,242	1,444,311	(5,069)
Instructional staff	982,686	1,085,377	1,121,619	(36,242)
District administration	594,970	767,089	776,445	(9,356)
School administration	1,472,582	1,404,893	1,347,522	57,371
Business and other support services	481,575	490,690	467,670	23,020
Operation and maintenance of plant	3,269,962	3,631,638	3,672,333	(40,695)
Student transportation	1,536,486	1,581,813	1,502,611	79,202
Community services	4,200	-	-	-
Debt service	89,966	89,966	89,966	-
Facilities acquisition and construction	-	-	-	-
Contingency	620,690	852,133	-	852,133
Total expenditures	<u>27,031,949</u>	<u>28,042,229</u>	<u>26,144,188</u>	<u>1,898,041</u>
Excess (deficiency) of revenues over expenditures	<u>(1,204,500)</u>	<u>(1,657,725)</u>	<u>884,990</u>	<u>2,542,715</u>
Other financing sources (uses):				
Gain on sale of equipment	4,500	2,500	12,108	9,608
Transfers in	-	225,608	225,608	-
Transfers out	(50,000)	(50,000)	(367,732)	(317,732)
Total other financing sources and uses	<u>(45,500)</u>	<u>178,108</u>	<u>(130,016)</u>	<u>(308,124)</u>
Net change in fund balances	(1,250,000)	(1,479,617)	754,974	2,234,591
Fund balances, June 30, 2014	<u>1,250,000</u>	<u>1,479,617</u>	<u>1,479,617</u>	<u>-</u>
Fund balances, June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,234,591</u>	<u>\$ 2,234,591</u>

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

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Interest income	\$ -	\$ -	\$ 198	\$ 198
Other local revenues	12,000	25,196	26,587	1,391
Intergovernmental - State	986,579	1,701,135	1,641,132	(60,003)
Intergovernmental - Federal through intermediate agencies	-	-	(1)	(1)
Intergovernmental - Indirect federal	1,913,310	1,978,301	1,904,411	(73,890)
Intergovernmental - Direct federal	1,364,563	1,457,670	1,407,566	(50,104)
Total revenues	<u>4,276,452</u>	<u>5,162,302</u>	<u>4,979,893</u>	<u>(182,409)</u>
Expenditures:				
Current:				
Instruction	3,368,771	3,849,118	3,701,611	147,507
Support services:				
Students	342,511	379,671	349,520	30,151
Instructional staff	383,428	391,957	425,568	(33,611)
District administration	-	-	-	-
School administration	107,330	126,287	125,704	583
Business and other support services	44,745	37,720	38,487	(767)
Operation and maintenance of plant	49,567	101,057	98,212	2,845
Student transportation	30,000	92,888	65,910	26,978
Community services	100	233,604	246,403	(12,799)
Total expenditures	<u>4,326,452</u>	<u>5,212,302</u>	<u>5,051,415</u>	<u>160,887</u>
Excess (deficiency) of revenues over expenditures	<u>(50,000)</u>	<u>(50,000)</u>	<u>(71,522)</u>	<u>(21,522)</u>
Other financing sources (uses):				
Gain on sale of equipment	-	-	1,292	1,292
Transfers in	50,000	50,000	70,230	20,230
Transfers out	-	-	-	-
Total other financing sources and uses	<u>50,000</u>	<u>50,000</u>	<u>71,522</u>	<u>21,522</u>
Net change in fund balances	-	-	-	-
Fund balances, June 30, 2014	-	-	-	-
Fund balances, June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

BOYD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

(1) REPORTING ENTITY

The Boyd County Board of Education (Board), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Boyd County School District (District). The District receives funding from local, state and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the Board 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 Board, for financial reporting purposes, includes all of the funds and account groups relevant to the operation of the Boyd County School District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

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

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements. Copies of component unit reports may be obtained from the District's Finance Office at 1104 Bob McCullough Drive, Ashland, Kentucky 41102.

Boyd County School District Finance Corporation

On August 28, 1989, Boyd County, Kentucky, Board of Education resolved to authorize the establishment of the Boyd County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Boyd County Board of Education also comprise the Corporation's Board of Directors.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Boyd County School District substantially comply with the rules prescribed by the Kentucky Department of Education for local school districts.

Basis of Presentation

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the District as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

Government-wide statements provide information about the primary government (the District). The statements include a statement of net position and a statement of activities. These statements report the financial activities of the overall government, except for fiduciary activities.

They also distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes and intergovernmental revenues. 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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities and segment of its business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses to programs or functions, except where allowable for certain grant programs. 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, including internally dedicated resources and all taxes, are reported as general revenues, 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 provide information about the District's funds, including fiduciary funds. Separate statements are presented for the governmental, proprietary, and fiduciary fund categories. The emphasis of fund financial statements is on major funds, each displayed in a separate column. All remaining funds are aggregated and reported as nonmajor funds. Fiduciary funds are aggregated and reported by fund type.

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

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes.
 - 1. The Special Revenue Fund includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

2. The District Activity Fund is a special revenue fund used to account for funds collected at individual schools for operation costs of the school or school district that allows for more flexibility in the expenditure of those funds.
- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by the Proprietary Fund).
1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
 2. The Facility Support Program of Kentucky (FSPK) Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
 3. The School Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction expenditures. This is a major fund.
- (D) The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related costs; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

II. Proprietary Fund (Enterprise Fund)

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA).

III. Fiduciary Fund Types (includes agency and trust funds)

The Activity Funds and Day Care Fund account for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with *Uniform Program of Accounting for School Activity Funds*. The Hamilton Scholarship Fund is accounted for as an expendable trust fund on the modified accrual basis.

Basis of Accounting

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

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

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

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as needed.

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

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

Property Taxes

Property taxes collected are recorded as revenues in the fund for which they were levied. The District's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District. The assessed value of property upon which the levy for the 2015 fiscal year was based was \$1,309,817,533.

The tax rates assessed for the year ended June 30, 2015 to finance general fund operations were \$0.555 on real estate, \$0.555 on tangible property, and \$0.547 on motor vehicles per \$100 valuation on tangible property.

Taxes are due on October 1 and become delinquent by February 1 following the October 1 levy date. Current tax collections for the year ended June 30, 2015 were 93.12% of the tax levy.

In-Kind

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

Cash and Cash Equivalents

The Board considers demand deposits, money market funds, and other investments with an original maturity of 6 months or less, to be cash equivalents.

Inventories

Supplies and materials are charged to expenditures when purchased with the exception of the

Proprietary Fund, which records inventory using the accrual basis of accounting. Inventories are stated at the lower of cost or market, on the first-in, first-out basis.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary fund. 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 fund are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

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

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Infrastructure	20 years
Technology equipment	5 years
Vehicles	5-10 years
Food service equipment	5-12 years
Other general	7-11 years

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.

Budgetary Process

The District is required by state law to adopt annual budgets. Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Per Board policy, only amendments that aggregate greater than \$50,000 require Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

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

Accrued Liabilities and Long-Term Obligations

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be

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

Fund Balance Reserves

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance-amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
- Restricted fund balance-amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance-amounts constrained to specific purposes by the District itself, using its decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the District takes the action to remove or change the constraint;
- Assigned fund balance-amounts the District intends to use for a specific purpose (such as encumbrances); intent can be expressed by the District or by an official or body to which the District delegates the authority;
- Unassigned fund balance-amounts that are available for any purpose; unassigned amounts are reported only in the General Fund.

Net Position

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, those revenues are primarily charges for meals provided by the various schools. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

Interfund Activity

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

statements:

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 basic financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments. The entire compensated absence liability is reported on the government-wide financial statements.

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

Bond Issuance Costs

Debt issuance costs are expensed in the period they are incurred.

New Accounting Pronouncements

The District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which requires employers participating in a multiple-employer cost-sharing plan to report net pension liability on the entity-wide statements for their proportionate share of the liability. See Note (14) for the effect of this adoption on beginning net position.

(3) DEBT OBLIGATIONS

The amounts shown in the accompanying financial statements as debt obligations represents the Board's future obligations to make lease payments relating to the bonds issued by the Boyd County Fiscal Court and the Boyd County School District Finance Corporation ("BCSDFC"), in the original amount of \$39,385,000.

Bonds

The General Fund, Facilities Support Program (FSPK) Fund and the SEEK Capital Outlay Fund are obligated to make lease payments. The lease agreements provide among other things, (1) for rentals sufficient to satisfy debt service requirements on bonds issued by the Fiscal Court and the BCSDFC to construct school facilities and (2) the Board with the option to purchase the properties under leases at any time by retiring the bonds then outstanding. The proceeds from certain refunding issues have been placed in escrow accounts to be used to service the related debt.

The original amount of present outstanding issues, the issue dates, and interest rates are summarized below:

<u>Issue</u>	<u>Original Amount</u>	<u>Interest Rates</u>
Issue of 1996	\$ 425,000	4.60-5.70%
Issue of 2008R	5,950,000	2.30-3.50%
Issue of 2009R	1,490,000	2.00-3.00%
Issue of 2009	810,000	1.75-4.20%
Issue of 2014R	30,710,000	2.00-3.50%
	<u>\$ 39,385,000</u>	

The bonds may be called prior to maturity at dates and redemption premiums specified in each issue.

A summary of activity in bond obligations and other debts is as follows:

<u>Description</u>	<u>Balance at June 30, 2014</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance at June 30, 2015</u>
General obligation bonds - \$39,385,000 originally issued with interest rates ranging from 1.75% to 5.70%	\$ 33,940,000	\$30,710,000	\$ 31,955,000	\$ 32,695,000
KISTA	636,904	-	75,565	561,339
KSBIT Payable	147,279	-	48,085	99,194
Accumulated unpaid sick leave benefits	623,770	153,496	-	777,266
Less: Discounts on bonds	(77,433)	(318,023)	(67,670)	(327,786)
	<u>\$ 35,270,520</u>	<u>\$30,545,473</u>	<u>\$ 32,010,980</u>	<u>\$ 33,805,013</u>

On July 1, 2014, the District issued \$30,710,000 in refunding bonds with an interest rate ranging from 2.00% to 3.25% to advance refund \$30,215,000 of the series of 8-1-11 bonds with an interest rate ranging from 1.25% to 6.25%. The proceeds of the refunding bonds were used to purchase U.S. government securities, which were deposited in an irrevocable trust with an escrow agent to provide for all future payments on the refunded bonds. The bonds were called during the 2015 fiscal year with payments being made by the escrow agent. As a result of these advances, the District achieved a cumulative savings of \$1,261,512 for a net present value savings of 3.193% over the next 16 years.

The 2008, 2009, 2009R, and 2014 bond issues were sold at a discount of \$59,500, \$15,466, \$9,506, and \$318,023, respectively. These amounts are being amortized over the life of the respective debt.

In connection with the bond issues of 1996, 2008R, 2009, 2009R, and 2014R, the Board entered into a participation agreement with the Kentucky School Facilities Construction Commission, whereby the Commission has agreed to provide amounts on an annual basis (reflected in the following table) toward the payment of principal and interest requirements on the bonds. The agreement is in effect for a period of two years. The obligation of the Commission to make said payments shall automatically renew every two years, unless the Commission provides the Board notice of its intention not to participate within sixty days prior to the expiration of the two year period.

Assuming no issues are called prior to scheduled maturity and that the Kentucky School Facilities Construction Commission continues to renew its agreement, the minimum obligations at

June 30, 2015 for debt service (principal and interest) are as follows:

Year	Kentucky School Facilities Construction Commission		Boyd County School District		Total
	Principal	Interest	Principal	Interest	
2016	\$ 421,800	\$ 141,354	\$ 1,428,200	\$ 803,652	\$ 2,795,006
2017	423,746	139,982	1,466,254	767,969	2,797,951
2018	401,455	129,152	1,508,545	730,806	2,769,958
2019	393,208	119,131	1,531,792	701,978	2,746,109
2020	359,430	109,847	1,560,570	671,342	2,701,189
2021-2025	1,296,296	433,104	8,443,704	2,706,138	12,879,242
2026-2030	1,522,418	207,448	9,567,582	1,342,154	12,639,602
2031	285,114	9,979	2,084,886	72,971	2,452,950
	<u>\$ 5,103,467</u>	<u>\$ 1,289,997</u>	<u>\$ 27,591,533</u>	<u>\$ 7,797,010</u>	<u>\$ 41,782,007</u>

Future minimum debt service on notes payable to KISTA by the District, at June 30, 2015, is as follows

June 30,	District's Portion		Total
	Principal	Interest	
2016	\$ 77,239	\$ 12,910	\$ 90,149
2017	69,067	11,228	80,295
2018	70,534	9,721	80,255
2019	64,096	8,175	72,271
2020	65,457	6,893	72,350
2021-2024	214,946	13,446	228,392
	<u>\$ 561,339</u>	<u>\$ 62,373</u>	<u>\$ 623,712</u>

KSBIT Payable

The Kentucky School Boards Insurance Trust ("KSBIT") notified the District during fiscal year 2013 that their self-insurance pools for worker's compensation and liability insurance were underfunded. As a result, an assessment will be required under a fair methodology to be approved by the Kentucky Department of Insurance, of current and past participating members to fund the deficit and the transfer of liability to a qualified insurer/reinsurer. On May 13, 2014, the court approved the plan of assessment tendered by KSBIT and approved the Loss Portfolio Transfer to Kentucky Employers Mutual Insurance ("KEMI"). As a result the District's portion of the liability was reduced from \$306,413 to \$147,279. The District took the option of paying 25% down by August 31, 2014 and financing the remaining balance over 6 years to be paid in equal annual installments beginning August 31, 2015 with no interest.

June 30,	Principal
2016	\$ 16,532
2017	16,532
2018	16,533
2019	16,532
2020	16,532
2021	16,533
	<u>\$ 99,194</u>

(4) ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. At June 30, 2015, this amount totaled \$777,266. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination

payments. The liability is based on the School District's past experience of making termination payments.

(5) RETIREMENT PLANS

Kentucky Teachers Retirement System

Plan description: Teaching-certified employees of the Kentucky School District are provided pensions through the Teachers' Retirement System of the State of Kentucky (KTRS), a cost-sharing multiple-employer defined benefit pension 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. 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 issues a publicly available financial report that can be obtained at http://www.ktrs.ky.gov/05_publications/index.htm.

Benefits provided: For members who have established an account in a retirement system administered by the Commonwealth prior to July 1, 2008, members become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

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

Participants that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university members with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New members (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service is less than ten years. New members after July 1, 2002 who retire with ten 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 ten 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 3.0% to be used in their benefit calculation. Effective July 1, 2008, KTRS has been amended to change the benefit structure for members hired on or after that date.

Final average salary is defined as the member's five (5) highest annual salaries for those with less than 27 years of service. Members at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. KTRS also provides disability benefits for vested members at the rate of sixty (60) percent 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 one and one-half (1.5) percent annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

Contributions: Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university members are required to contribute 12.105% of their salaries to KTRS. University members are required to contribute 9.895% of their salaries. KRS 161.580 allows each university to reduce the contribution of its members by 2.215%; therefore, university members contribute 7.68% of their salary to KTRS.

The Commonwealth of Kentucky (the “Commonwealth”), as a non-employer contributing entity, pays matching contributions in the amount 13.105% of salaries for local school districts and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. University employers contribute 15.36% of salaries of members. For local school districts and regional cooperative members whose salaries are federally funded, the employer contributes 15.355% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member’s request.

Medical Insurance Plan

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

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

Funding policy: In order to fund the post-retirement healthcare benefit, six percent (6.00%) of the gross annual payroll of members before July 1, 2008 is contributed. Three percent (3.00%) is paid by member contributions and three quarters percent (0.75%) from state appropriation and two and one quarter percent (2.25%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

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

At June 30, 2015, the District did not report a liability for its proportionate share of the net pension liability because the Commonwealth of Kentucky provides the pension support directly to KTRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related 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	\$ -
Commonwealth’s proportionate share of the Net Pension liability associated with the District	95,830,961
	<u>\$ 95,830,961</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 that date. The District’s proportion of the net pension liability was based on the actual liability of the employees and former employees relative to the total liability of the Commonwealth as determined by the actuary. At June 30, 2014, the District’s proportion was 0.4663%.

For the year ended June 30, 2014, the District recognized pension expense of \$4,695,912 and revenue of \$4,695,912 for support provided by the State.

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

Valuation Date	June 30, 2014
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	30 years
Asset Valuation Method	5-year smoothed market
Single Equivalent Interest Rate	5.23%
Municipal Bond Index Rate	4.35%
Inflation	3.5%
Salary Increase	4.0-8.2%, including inflation
Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation

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:

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

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

	1% Decrease <u>(4.23%)</u>	Current discount rate <u>(5.23%)</u>	1% Increase <u>(6.23%)</u>
Commonwealth's proportionate share of net pension liability	\$ 126,472,870	\$ 95,830,961	\$ 79,401,527

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued KTRS financial report which is publically available at <http://www.ktrs.ky.gov/>.

County Employees Retirement System

Plan description: Substantially all full-time classified employees of the District participate in the County Employees Retirement System ("CERS"). CERS is a cost-sharing, multiple-employer, defined benefit pension plan administered by the Kentucky General Assembly. The plan covers substantially all regular full-time members employed in non-hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in the plan. The plan provides for retirement, disability and death benefits to plan members.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601, or by calling (502) 564-4646 or at <https://kyret.ky.gov>.

Benefits provided: Benefits under the plan will vary based on final compensation, years of service and other factors as fully described in the plan documents.

Contributions: Funding for CERS is provided by members who contribute 5% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions and by employers of members who contribute 18.89% of the member's salary. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2014. An expected total pension liability as of June 30, 2014 was determined using standard roll-forward techniques. The District's proportion of the net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2014. At June 30 2014, the District's proportion was 0.215511%.

For the year ended June 30, 2015, the District recognized pension expense of \$560,000. At June 30, 2015, the District reported deferred outflows of resources for District contributions subsequent to the measurement date of \$872,905. These contributions will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

The District reported deferred inflows of resources related to pensions from the net difference between projected and actual earnings on pension plan investments in the amount of \$780,000. These amounts will be recognized in pension expense as follows:

<u>Year</u>	
2016	\$ 156,000
2017	156,000
2018	156,000
2019	156,000
2019	<u>156,000</u>
	<u>\$ 780,000</u>

Actuarial Methods and Assumptions: The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2014. The financial reporting actuarial valuation as of June 30, 2014, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2014
Experience Study	July 1, 2005 – June 30, 2008
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	30 years
Asset Valuation Method	5-year smoothed market
Inflation	3.5%
Salary Increase	4.5%, average, including inflation
Investment Rate of Return	7.75%, net of pension plan investment expense, including inflation

The rates of mortality for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other members. The Group Annuity Mortality Table set forward five years is used for the period after disability retirement. The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for KRS. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a 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 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 asset allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by CERS's investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	30.0%	8.45%
International 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 Fixed Income	5.0%	7.25%
Non US Fixed Income	5.0%	5.5%
Commodities	5.0%	7.75%
TIPS	5.0%	5.00%
Cash	1.0%	3.25%
	<u>100.0%</u>	

Discount Rate: The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.75%. The long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

The Deferred Inflows and Outflows, and Pension Expense include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The Schedule does not include deferred outflows/inflows of resources for changes in the employer's proportionate share of contributions or employer contributions made subsequent to the measurement date. The net pension liability as of June 30, 2014, is based on the June 30, 2014, actuarial valuation for the first year of implementation. As a result, there are no differences between expected and actual experience or changes in assumptions subject to amortization. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period.

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:

	<u>1% Decrease (6.75%)</u>	<u>Current discount rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 9,201,000	\$ 6,992,000	\$ 5,040,000

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report which is publically available at <https://kyret.ky.gov>.

Payables to the pension plan: At June 30, 2015 and 2014, there were no payables to CERS.

(6) CASH AND CASH EQUIVALENTS

The funds of the District must be deposited and invested under the terms of a contract. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At June 30, 2015, the carrying amount of the Board's cash and cash equivalents was \$3,564,693 and the bank balances totaled \$4,226,880. Of the total bank balances, \$938,624 was insured by Federal Depository insurance, with the remainder covered by a collateral agreement and collateral held by the pledging banks' trust departments in the District's name.

The cash deposits held at financial institutions can be categorized according to three levels of risk.

These three levels of risks are as follows:

- | | |
|------------|---|
| Category 1 | Deposits, which are insured or collateralized with securities, held by the District or by its agent in the District's name. |
| Category 2 | Deposits, which are collateralized with securities held by the pledging financial institution's trust department or agent in the District's name. |
| Category 3 | Deposits, which are not collateralized or insured. |

Based on these three levels of risk, the District's uninsured cash deposits are classified as Category 2.

General Fund cash and cash equivalents at June 30, 2015 consisted of a money market checking account.

Due to the nature of the accounts and certain limitations imposed on the use of funds, each bank account within the following funds is considered to be restricted: SEEK Capital Outlay Fund, Facility Support Program (FSPK) Fund, Education Building Fund, Special Revenue (Grant) Funds, Bond and Interest Redemption Fund, School Food Service Funds, and School Activity Funds.

(7) CAPITAL ASSETS

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

<u><i>Governmental Activities</i></u>	<u>June 30, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2015</u>
Capital Assets, Not Depreciated:				
Land	\$ 2,095,900	\$ -	\$ -	\$ 2,095,900
Construction in progress	-	487,935	-	487,935
Capital Assets, Depreciated:				
Land improvements	19,450	-	-	19,450
Buildings and improvements	95,542,457	144,379	-	95,686,836
Technology equipment	3,853,516	-	1,799	3,851,717
Vehicles	3,798,598	17,800	266,902	3,549,496
General	1,306,963	36,540	7,625	1,335,878
Infrastructure	98,716	-	-	98,716
Totals at historical cost	<u>106,715,600</u>	<u>686,654</u>	<u>276,326</u>	<u>107,125,928</u>
Less: accumulated depreciation -				
Land improvements	(8,051)	(972)	-	(9,023)
Buildings and improvements	(45,976,375)	(1,397,029)	-	(47,373,404)
Technology equipment	(3,695,427)	(93,583)	(1,799)	(3,787,211)

Vehicles	(3,365,319)	(194,076)	(263,578)	(3,295,817)
General	(1,158,942)	(83,770)	(7,625)	(1,235,087)
Infrastructure	(49,652)	(4,936)	-	(54,588)
Total accumulated depreciation	<u>(54,253,766)</u>	<u>(1,774,366)</u>	<u>(273,002)</u>	<u>(55,755,130)</u>

Governmental Activities				
Capital Assets - Net	<u>\$ 52,461,834</u>	<u>\$ (1,087,712)</u>	<u>\$ 3,324</u>	<u>\$ 51,370,798</u>

Business - Type Activities

Capital Assets, Depreciated:

Food service equipment	\$ 1,259,366	\$ 56,272	\$ 6,000	\$ 1,309,638
Buildings and improvements	63,756	-	-	63,756
Technology equipment	54,833	-	2,505	52,328
Totals at historical cost	<u>1,377,955</u>	<u>56,272</u>	<u>8,505</u>	<u>1,425,722</u>

Less: accumulated depreciation				
Food service and equipment	(734,213)	(53,840)	(6,000)	(782,053)
Buildings and improvements	(21,889)	(2,550)	-	(24,439)
Technology equipment	(53,025)	(1,377)	(2,422)	(51,980)
Total accumulated depreciation	<u>(809,127)</u>	<u>(57,767)</u>	<u>(8,422)</u>	<u>(858,472)</u>

Business-Type Activities				
Capital Assets - Net	<u>\$ 568,828</u>	<u>\$ (1,495)</u>	<u>\$ 83</u>	<u>\$ 567,250</u>

Depreciation expense was allocated to governmental functions as follows:

Instruction	\$ 817,715
District administration	1,107
School administration	-
Business support services	-
Plant operation & maintenance	771,669
Student transportation	183,679
Community services	196
	<u>\$ 1,774,366</u>

(8) OPERATING LEASES

The District has operating lease agreements for use of equipment and various parcels of real estate cancelable annually with the option to renew. The District recognizes the expenditures related to those obligations as lease payments are made. Total rent expenditures under operating type leases were approximately \$161,794.

(9) COMMITMENTS AND CONTINGENCIES

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

The District has no outstanding construction commitments at June 30, 2015. The District is subject to certain legal proceedings arising from normal business activities. Administrative officials believe that these actions are without merit or that the ultimate liability, if any, resulting

from them will not materially affect the accompanying financial statements.

(10) RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District carries their insurance with Kentucky Employers' Mutual Insurance (KEMI), which is located in Lexington Kentucky. KEMI is a mutual insurance company regulated by the Kentucky Department of Insurance. The District pays annual premiums for their coverage. The premium for workers' compensation is based on a formula. The District is assigned a classification code for their industry and each classification code has a corresponding rate. Multiplying the rate times the estimated payroll for operations then dividing by 100 will give the base premium. In some cases, modifiers may also be added, based on eligibility, which may increase or decrease the premium. In other cases, additional coverages may be requested that increase the premium.

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.

(11) COBRA

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

(12) ON-BEHALF PAYMENTS

For the year ended June 30, 2015, total payments of \$8,624,859 were made by the Commonwealth of Kentucky on behalf of the District for life insurance, health insurance, and KTRS matching and administrative fees, and SFCC debt service. These payments were recognized as on-behalf payments and are recorded in the appropriate revenue and expense accounts on the Statement of Activities and the Government Funds Statement of Revenue, Expenditures and Changes in Fund Balance.

On-behalf payments as June 30, 2015 consisted of the following:

<u>Plan/Description</u>	<u>Amount</u>
Kentucky Teachers Retirement System	\$ 1,766,489
Health and Life Insurance Plans	3,288,493
Technology	67,301
Debt Service	<u>573,153</u>
Recognized at the fund level	5,695,436
Additional pension expense recognized at the Government-wide level	<u>2,929,423</u>
Total on-behalf	<u>\$ 8,624,859</u>

(13) TRANSFER OF FUNDS

The following transfers were made during the year.

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	General Fund	Special Revenue Fund	Originally posted to the incorrect Fund	\$ 161

Operating	General Fund	Special Revenue Fund	Technology Match	70,069
Operating	Capital Outlay	General Fund	Operating Expenditures	225,608
Debt Service	Capital Outlay	Debt Service Fund	Debt Service	77,721
Debt Service	Building Fund	Debt Service Fund	Debt Service	2,177,614
Construction	Capital Outlay	Construction Fund	Construction Expenditures	190,433
Construction	General Fund	Construction Fund	Construction Expenditures	297,502

(14) CHANGE IN ACCOUNTING PRINCIPLE

Net position as of June 30, 2014, has been restated as follows for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Net Position as previously reported at June 30, 2014	\$ 18,951,633	\$ 1,148,990	\$ 20,100,623
Prior period adjustment implementation of GASB 68:			
Net pension liability (measurement date as of June 30, 2013)	(7,265,515)	(800,439)	(8,065,954)
Deferred outflows District contributions made during fiscal year 2014	<u>832,994</u>	<u>100,960</u>	<u>933,954</u>
Total prior period adjustment for GASB 68	<u>(6,432,521)</u>	<u>(779,479)</u>	<u>(7,212,000)</u>
Net position as restated, June 30, 2014	<u>\$ 12,519,112</u>	<u>\$ 369,511</u>	<u>\$ 12,888,623</u>

REQUIRED SUPPLEMENTARY INFORMATION

**BOYD COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2015**

	Reporting Fiscal Year (Measurement Date)
	2015 (2014)
COUNTY EMPLOYEES RETIREMENT SYSTEM:	
District's proportion of the net pension liability	0.215511%
District's proportionate share of the net pension liability	\$ 6,992,000
District's covered-employee payroll	\$ 4,944,172
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	141.419%
Plan fiduciary net position as a percentage of the total pension liability	66.800%
KENTUCKY TEACHER'S RETIREMENT SYSTEM:	
District's proportion of the net pension liability	0.4663%
District's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the District	95,830,961
Total	\$ 95,830,961
District's covered-employee payroll	\$ 14,614,792
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.000%
Plan fiduciary net position as a percentage of the total pension liability	45.590%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

**BOYD COUNTY SCHOOL DISTRICT
SCHEDULE OF PENSION CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
COUNTY EMPLOYEES RETIREMENT SYSTEM:						
Contractually required contribution	\$ 872,905	\$ 933,954	\$ 1,021,288	\$ 997,179	\$ 906,835	\$ 850,887
Contributions in relation to the contractually required contribution	<u>872,905</u>	<u>933,954</u>	<u>1,021,288</u>	<u>997,179</u>	<u>906,835</u>	<u>850,887</u>
Contribution deficiency (excess)	-	-	-	-	-	-
District's covered-employee payroll	\$ 4,940,040	\$ 4,944,172	\$ 5,224,083	\$ 5,259,377	\$ 5,356,138	\$ 5,265,393
District's contributions as a percentage of its covered-employee payroll	17.67%	18.89%	19.55%	18.96%	16.93%	16.16%
 KENTUCKY TEACHER'S RETIREMENT SYSTEM:						
Contractually required contribution	\$ -	\$ -				
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>				
Contribution deficiency (excess)	-	-				
District's covered-employee payroll	\$ 14,952,459	\$ 14,614,792				
District's contributions as a percentage of its covered-employee payroll	0.00%	0.00%				

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

**BOYD COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015**

(1) CHANGES OF ASSUMPTIONS

KTRS

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.

CERS

There were no changes of assumptions.

(2) METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

KTRS

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	30 years
Asset Valuation Method	5-year smoothed market
Inflation	3.5%
Salary Increase	4.0% to 8.2%, including inflation
Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation

CERS

The actuarially determined contribution rates in the schedule of contributions are calculated on a biennial basis beginning with the fiscal years ended 2015 and 2016, determined as of July 1, 2013. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine the contribution rates reported in that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	30 years
Asset Valuation Method	5-year smoothed market
Inflation	3.5%
Salary Increase	4.5%, average, including inflation
Investment Rate of Return	7.75%, net of pension plan investment expense, including inflation

(3) CHANGES OF BENEFITS

There were no changes of benefit terms for KTRS or CERS.

SUPPLEMENTAL INFORMATION

**BOYD COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015**

	Capital Project Funds	Debt Service Funds	District Activity Funds	Total Non-Major Governmental Funds
ASSETS:				
Cash and cash equivalents	\$ 5,376	\$ 27,425	\$ 145,573	\$ 178,374
Accounts receivable	-	-	-	-
Total assets	<u>\$ 5,376</u>	<u>\$ 27,425</u>	<u>\$ 145,573</u>	<u>\$ 178,374</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts payable	\$ -	\$ 27,413	\$ 649	\$ 28,062
Total liabilities	<u>-</u>	<u>27,413</u>	<u>649</u>	<u>28,062</u>
Fund Balances:				
Restricted	-	12	-	12
Committed	-	-	144,924	144,924
Assigned	5,376	-	-	5,376
Total fund balance	<u>5,376</u>	<u>12</u>	<u>144,924</u>	<u>150,312</u>
Total liabilities and fund balances	<u>\$ 5,376</u>	<u>\$ 27,425</u>	<u>\$ 145,573</u>	<u>\$ 178,374</u>

**BOYD COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Capital Project Funds	Debt Service Funds	District Activity Fund	Total Non-Major Governmental Funds
REVENUES:				
From local sources -				
Property taxes	\$ 1,484,966	\$ -	\$ -	\$ 1,484,966
Earnings on investments	475	12	247	734
Miscellaneous	4,341	-	236,445	240,786
Intergovernmental - State	993,726	573,153	-	1,566,879
Intergovernmental - Federal Subsidy	-	265,766	-	265,766
Total revenues	<u>2,483,508</u>	<u>838,931</u>	<u>236,692</u>	<u>3,559,131</u>
EXPENDITURES:				
Current -				
Facilities acquisition and construction	-	-	-	-
Building improvements	-	-	-	-
Debt service	-	3,257,834	-	3,257,834
Instruction	-	-	192,896	192,896
Support services:				
Instructional staff	-	-	47,824	47,824
Student transportation	-	-	9,264	9,264
Total expenditures	<u>-</u>	<u>3,257,834</u>	<u>249,984</u>	<u>3,507,818</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,483,508</u>	<u>(2,418,903)</u>	<u>(13,292)</u>	<u>51,313</u>
OTHER FINANCING SOURCES (USES):				
Bond proceeds	-	30,391,977	-	30,391,977
Payment to refunded bond escrow agent	-	(30,228,397)	-	(30,228,397)
Operating transfers in	-	2,255,335	-	2,255,335
Operating transfers out	(2,671,376)	-	-	(2,671,376)
Total other financing sources (uses)	<u>(2,671,376)</u>	<u>2,418,915</u>	<u>-</u>	<u>(252,461)</u>
NET CHANGE IN FUND BALANCES	(187,868)	12	(13,292)	(201,148)
FUND BALANCE JUNE 30, 2014	<u>193,244</u>	<u>-</u>	<u>158,216</u>	<u>351,460</u>
FUND BALANCE JUNE 30, 2015	<u>\$ 5,376</u>	<u>\$ 12</u>	<u>\$ 144,924</u>	<u>\$ 150,312</u>

**BOYD COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2015**

	SEEK Funds	FSPK Fund	Boyd County School District Finance Corporation	Total Capital Project Funds
ASSETS:				
Cash and cash equivalents	\$ -	\$ -	\$ 5,376	\$ 5,376
Accounts receivable	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,376</u>	<u>\$ 5,376</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Restricted for KSFCC Escrow	-	-	-	-
Assigned	-	-	5,376	5,376
Total fund balance	<u>-</u>	<u>-</u>	<u>5,376</u>	<u>5,376</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,376</u>	<u>\$ 5,376</u>

**BOYD COUNTY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NON-MAJOR CAPITAL PROJECT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015**

	SEEK Funds	FSPK Fund	Boyd County School District Finance Corporation	Total Capital Project Funds
REVENUES:				
From local sources -				
Property taxes	\$ -	\$ 1,484,966	\$ -	\$ 1,484,966
Earnings on investments	216	259	-	475
Other local revenues	-	-	4,341	4,341
Intergovernmental - State	291,954	701,772	-	993,726
Total revenues	<u>292,170</u>	<u>2,186,997</u>	<u>4,341</u>	<u>2,483,508</u>
EXPENDITURES:				
Current -				
Facilities acquisition and construction	-	-	-	-
Building improvements	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>292,170</u>	<u>2,186,997</u>	<u>4,341</u>	<u>2,483,508</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	-	-	-
Operating transfers out	(429,125)	(2,242,251)	-	(2,671,376)
Total other financing sources (uses)	<u>(429,125)</u>	<u>(2,242,251)</u>	<u>-</u>	<u>(2,671,376)</u>
NET CHANGE IN FUND BALANCES	(136,955)	(55,254)	4,341	(187,868)
FUND BALANCE JUNE 30, 2014	<u>136,955</u>	<u>55,254</u>	<u>1,035</u>	<u>193,244</u>
FUND BALANCE JUNE 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,376</u>	<u>\$ 5,376</u>

BOYD COUNTY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NON-MAJOR DEBT SERVICE FUNDS
 JUNE 30, 2015

	1972 & 1978 Bond Fund	1996 Bond Fund	2008 Bond Fund	2009R Bond Fund	2009 Bond Fund	2010 Bond Fund	2014 Bond Fund	Totals Debt Service Fund
ASSETS:								
Cash and cash equivalents	\$ 27,413	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12	\$ 27,425
Accounts receivable	-	-	-	-	-	-	-	-
Total assets	<u>\$ 27,413</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12</u>	<u>\$ 27,425</u>
LIABILITIES AND FUND BALANCE:								
Liabilities:								
Accounts payable	\$ 27,413	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,413
Total liabilities	<u>27,413</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,413</u>
Fund Balances:								
Restricted	-	-	-	-	-	-	12	12
Total fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12</u>	<u>12</u>
Total liabilities and fund balances	<u>\$ 27,413</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12</u>	<u>\$ 27,425</u>

BOYD COUNTY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NON-MAJOR DEBT SERVICE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015

	1972 & 1978 Bond Fund	1996 Bond Fund	2008 Bond Fund	2009R Bond Fund	2009 Bond Fund	2010 Bond Fund	2014 Bond Fund	Totals Debt Service Fund
REVENUES:								
Intergovernmental - State	\$ -	\$ 33,990	\$ 26,824	\$ 157,522	\$ 60,468	\$ 82,831	\$ 211,518	\$ 573,153
Intergovernmental - Federal subsidy	-	-	-	-	-	265,766	-	265,766
Interest income	-	-	-	-	-	-	12	12
Total revenues	-	33,990	26,824	157,522	60,468	348,597	211,530	838,931
EXPENDITURES:								
Debt service	-	33,990	568,195	157,522	60,468	808,499	1,629,160	3,257,834
Total expenditures	-	33,990	568,195	157,522	60,468	808,499	1,629,160	3,257,834
DEFICIENCY OF REVENUES UNDER EXPENDITURES	-	-	(541,371)	-	-	(459,902)	(1,417,630)	(2,418,903)
OTHER FINANCING SOURCES (USES):								
Bond proceeds							30,391,977	30,391,977
Payment to refunded bond escrow agent							(30,228,397)	(30,228,397)
Operating transfers in	-	-	541,371	-	-	459,902	1,254,062	2,255,335
Total other financing sources (uses)	-	-	541,371	-	-	459,902	1,417,642	2,418,915
NET CHANGE IN FUND BALANCES	-	-	-	-	-	-	12	12
FUND BALANCE JUNE 30, 2014	-	-	-	-	-	-	-	-
FUND BALANCE JUNE 30, 2015	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12	\$ 12

BOYD COUNTY SCHOOL DISTRICT
STATEMENT OF GRANT, RECEIPTS,
DISBURSEMENTS AND FUND BALANCE
HEAD START GRANTS
FOR THE YEAR ENDED JUNE 30, 2015

AMOUNT OF GRANT	Headstart Grant No. 04-CH-002409/48				Headstart Grant No. 04-CH-4710/01	
	Budget	Actual Prior Year	Actual Current Year	Total	Budget	Actual
				\$ 1,364,563		\$ 1,457,670
RECEIPTS -						
OCD Funds -						
Grant funds	\$ 1,364,563	\$ 1,255,935	\$ 108,628	\$ 1,364,563	\$ 1,457,670	\$ 1,285,393
Grantee's contributions	341,141	341,141	-	341,141	364,418	364,418
	<u>1,705,704</u>	<u>1,597,076</u>	<u>108,628</u>	<u>1,705,704</u>	<u>1,822,088</u>	<u>1,649,811</u>
DISBURSEMENTS -						
OCD's Share -						
Head Start Full-Year/Part-Day (PA 20 & 22)						
Direct costs -						
Personnel	859,143	745,934	73,383	819,317	897,123	828,785
Fringe benefits	333,930	266,214	25,093	291,307	368,677	296,825
Supplies	17,386	19,572	144	19,716	4,717	3,830
Contractual	144,437	208,427	500	208,927	138,953	133,724
Travel	1,500	10,638	1,416	12,054	11,000	10,483
Other	8,167	5,150	8,092	13,242	37,200	25,291
	<u>1,364,563</u>	<u>1,255,935</u>	<u>108,628</u>	<u>1,364,563</u>	<u>1,457,670</u>	<u>1,298,938</u>
Grantee's Share -						
Head Start Full-Year/Part-Day (PA 20 & 22)	341,141	341,141	-	341,141	364,418	364,418
Grantee's Total	<u>341,141</u>	<u>341,141</u>	<u>-</u>	<u>341,141</u>	<u>364,418</u>	<u>364,418</u>
Total disbursements	<u>1,705,704</u>	<u>1,597,076</u>	<u>108,628</u>	<u>1,705,704</u>	<u>1,822,088</u>	<u>1,663,356</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	-	-	-	-	-	(13,545)
ACCOUNTS RECEIVABLE	-	-	-	-	-	13,545
FUND BALANCE, JUNE 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**BOYD COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Cash Balance June 30, 2014	Receipts	Disbursements	Cash Balance June 30, 2015	Accounts Receivable	Accounts Payable	Deposits Held in Custody for Students June 30, 2015
Boyd County High School	\$ 49,395	\$ 404,614	\$ 404,859	\$ 49,150	\$ -	\$ -	\$ 49,150
Boyd County Middle School	29,651	199,274	203,062	25,863	-	-	25,863
Cannonsburg Elementary	1,321	50,266	47,975	3,612	-	-	3,612
R.O.S.E. Society	3,246	1,950	352	4,844	-	-	4,844
Ponderosa Elementary	10,185	42,618	43,971	8,832	-	-	8,832
Summit Elementary	40,207	75,373	100,811	14,769	-	-	14,769
Catlettsburg Elementary	8,785	56,710	58,340	7,155	-	-	7,155
Early Childhood Learning Center	604	10,126	10,430	300	-	-	300
Cannonsburg Day Care	13,865	14,347	12,344	15,868	-	-	15,868
Boyd County Child Care	250,719	203,742	185,251	269,210	4,618	-	273,828
Youth Services Center	11,766	20,269	21,530	10,505	-	-	10,505
Vocational School	13,151	23,309	29,361	7,099	-	-	7,099
	<u>\$ 432,895</u>	<u>\$ 1,102,598</u>	<u>\$ 1,118,286</u>	<u>\$ 417,207</u>	<u>\$ 4,618</u>	<u>\$ -</u>	<u>\$ 421,825</u>

BOYD COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
SCHOOL ACTIVITY FUNDS
BOYD COUNTY HIGH SCHOOL
FOR THE YEAR ENDED JUNE 30, 2015

	Cash Balance June 30, 2014	Receipts	Disburse- ments	Cash Balance June 30, 2015	Accounts Receivable (Accounts Payable)	Deposits Held in Custody for Students June 30, 2015
Activity	\$ 6	\$ 61	\$ 67	\$ -	\$ -	\$ -
Academics	-	\$.752	\$ 525	227	-	227
Apple Fund	6	-	6	-	-	-
Archery	1,856	3,731	2,685	2,902	-	2,902
Art	18	-	18	-	-	-
Arts and Humanities	100	-	100	-	-	-
Astro/Science Grant	5	-	-	5	-	5
Athletics	185	104,411	104,106	490	-	490
Bass Fishing Club	1,054	-	974	80	-	80
BCHS Gifted	4	584	588	-	-	-
Beta Club	25	6,148	5,843	330	-	330
Boyd's Bistro	1,895	9,881	11,776	-	-	-
Boyd Track Reunion	-	250	250	-	-	-
Boys Basketball	-	600	600	-	-	-
Boys Golf	1,481	1,700	2,738	443	-	443
Boys/Girls Track	-	7,526	7,169	357	-	357
Bus Transportation	-	1,189	1,189	-	-	-
Choir Uniforms	289	-	289	-	-	-
Choir (Special Fund)	624	-	624	-	-	-
College Fair	1	-	1	-	-	-
College Health	-	15	-	15	-	15
Cross Country/Track	-	4,252	4,252	-	-	-
District Funds	-	60,101	54,499	5,602	-	5,602
Drama Club	2,480	-	1,053	1,427	-	1,427
Electronic Transfer	149	-	-	149	-	149
Emergency Relief Fund	2	-	2	-	-	-
Emmons Scholarship	8,745	1,845	10,490	100	-	100
English Department	703	10	703	10	-	10
Family Consumer Science	228	-	228	-	-	-
FBLA	-	1,248	928	320	-	320
FCA	97	-	-	97	-	97
FCCLA	-	10,823	10,823	-	-	-
FFA	20	3,285	3,195	110	-	110
First Priority	6	125	121	10	-	10
FMD / Autism	244	180	382	42	-	42
Foundation Grant	500	-	500	-	-	-
Friendship Fund	-	2,777	2,679	98	-	98
Future Educators of Am.	163	-	138	25	-	25
Girls Basketball Boosters	1,384	15,783	16,048	1,119	-	1,119
Girls Golf	1,489	3,897	2,422	2,964	-	2,964
History Club	17	-	-	17	-	17
Human Rights Club	38	-	-	38	-	38
Junior Class	2,395	7,400	9,754	41	-	41
JV Cheerleaders	-	2,950	-	2,950	-	2,950

**BOYD COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
SCHOOL ACTIVITY FUNDS
BOYD COUNTY HIGH SCHOOL - CONCLUDED
FOR THE YEAR ENDED JUNE 30, 2015**

	Cash Balance June 30, 2014	Receipts	Disburse- ments	Cash Balance June 30, 2015	Accounts Receivable (Accounts Payable)	Deposits Held in Custody for Students June 30, 2015
Key Club	107	15,906	15,670	343	-	343
KUNA	15	-	-	15	-	15
KYA Gifted	116	-	1	115	-	115
Library	207	997	229	975	-	975
Lions Publishing	8	-	8	-	-	-
Math	760	1,596	1,958	398	-	398
Memorial Garden	-	150	-	150	-	150
Miscellaneous	1	-	-	1	-	1
Mock Trial	9	270	276	3	-	3
Mu Alpha Theta	108	-	108	-	-	-
Newspaper	17	-	-	17	-	17
NJROTC - FR	1,244	17,974	14,202	5,016	-	5,016
NJROTC - UMS	78	1,093	1,111	60	-	60
Online Reading Grant	495	-	-	495	-	495
Operations	1,031	10,854	11,885	-	-	-
P.E.	1	-	1	-	-	-
Pep Club	142	1,405	831	716	-	716
Poetry Fund	344	290	66	568	-	568
Registrar	364	243	439	168	-	168
Rifle Team	132	637	101	668	-	668
Science	666	-	666	-	-	-
Science Club	277	1,040	1,317	-	-	-
Senior Class	731	10,016	9,478	1,269	-	1,269
Senior Class Trip Fund	281	37,640	37,921	-	-	-
Social Studies	13	-	13	-	-	-
Softball Boosters	20	2,690	2,448	262	-	262
Sophomore Class	116	802	791	127	-	127
Stem/Operations	669	-	669	-	-	-
Student Council	53	-	-	53	-	53
Swimming	455	2,789	2,358	886	-	886
Tennis	271	2,031	1,849	453	-	453
Varsity Cheerleaders	614	16,899	14,148	3,365	-	3,365
Volleyball Boosters	166	1,831	1,345	652	-	652
Walmart Credit Card	-	2,774	2,774	-	-	-
World Language Club	743	4,756	5,161	338	-	338
Wrestling	-	2,371	2,371	-	-	-
Yearbook	4,937	16,036	16,448	4,525	-	4,525
	<u>41,400</u>	<u>404,614</u>	<u>404,408</u>	<u>41,606</u>	<u>-</u>	<u>41,606</u>
Charitable Gaming	5	-	-	5	-	5
William P Edison Scholarship Fund	575	-	451	124	-	124
William P Edison Scholarship CD	5,047	-	-	5,047	-	5,047
William P Edison Scholarship CD 2	2,368	-	-	2,368	-	2,368
	<u>7,995</u>	<u>-</u>	<u>451</u>	<u>7,544</u>	<u>-</u>	<u>7,544</u>
	<u>\$ 49,395</u>	<u>\$ 404,614</u>	<u>\$ 404,859</u>	<u>\$ 49,150</u>	<u>\$ -</u>	<u>\$ 49,150</u>

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

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Expenditures
<u>U.S. Department of Education</u>				
Passed through State Department of Education:				
Twenty-First Century Community Learning Centers	84.287	3400002-13	60,000	\$ 50,337 <u>50,337</u>
Title I Grants to Local Educational Agencies	84.010	3100202-13	806,313	197,994
Title I Grants to Local Educational Agencies	84.010	3100202-14	765,572	614,080 <u>812,074</u>
Title I Program for Neglected and Delinquent Children	84.013	3100102-14	187,312	133,393
Title I Program for Neglected and Delinquent Children	84.013	3100102-13	179,167	7,474 <u>140,867</u>
Special Education Cluster (IDEA):				
Special Education Grants to States - IDEA, Part B	84.027	3810002-14	712,609	606,771 *
Special Education Grants to States - IDEA, Part B	84.173	3810002-14	40,787	34,184 *
Special Education Preschool Grants	84.173	3800002-13	40,787	4,156 * <u>645,111</u>
Improving Teacher Quality State Grants	84.367	3230002-14	171,584	171,584 *
Vocational Education Basic Grants to States	84.048	4621032-13	1,456	1,456
Vocational Education Basic Grants to States	84.048	4621032-14	33,981	33,923 <u>35,379</u>
Total U.S. Department of Education				<u>1,855,352</u>

**BOYD COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Expenditures
<u>U.S. Department of Health and Human Services</u>				
Direct Program:				
Head Start	93.600	6554	1,364,563	108,628 *
Head Start	93.600	655A	1,457,670	1,298,938 *
Total U.S. Department of Health and Human Services				<u>1,407,566</u>
<u>U.S. Department of Defense</u>				
Direct Program:				
Basic, Applied, and Advanced Research in Science and Engineering	12.630	ROTC (General Fund)	-	59,714
Total U.S. Department of Defense				<u>59,714</u>
<u>U.S. Department of Agriculture</u>				
Pass-through - State Department of Education:				
Cash Assistance:				
Child and Adult Care Food Program	10.558	7790021-15	-	16,964
Child Nutrition Cluster:				
National School Lunch Program	10.555	7750002-15	-	749,720 *
Summer Food Service Program for Children	10.559	7690024-14	-	1,461 *
Summer Food Service Program for Children	10.559	7740023-14	-	14,188 *
School Breakfast Program	10.553	7760005-15	-	248,891 *
Cash Assistance Subtotal				<u>1,014,260</u>
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	10.555	013-0100	-	69,790 *
Total Child Nutrition Cluster				<u>1,084,050</u>
Total U.S. Department of Agriculture				<u>1,101,014</u>
Total Federal Assistance				<u>\$ 4,423,646</u>

* Denotes a major program.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Boyd County School District under the 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 the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Government, and Non-Profit Organizations. Because the schedule presents only a selected portion of operations of the Boyd County School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

NOTE B - 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 and Local Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

NOTE C - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2015, the organization had total inventory of \$60,131.



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

Kentucky State Committee for
School District Audits
Members of the Board of Education
Boyd County School District
Ashland, Kentucky

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Auditor Responsibilities* and *State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Boyd County School District (the "District") as of and for the year ended June 30, 2015, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 12, 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

We noted certain matters that we reported to management of the District in a separate letter dated October 12, 2015.

Purpose of this Report

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

Kelley Galloway Smith Hooley, BC

October 12, 2015
Ashland, Kentucky



Kelley **G**alloway
Smith **G**oolsby, PSC

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

Kentucky State Committee for
School District Audits
Members of the Board of Education
Boyd County School District
Ashland, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Boyd County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. Boyd County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Boyd County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered 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 Boyd County School District's internal control over compliance.

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

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

Purpose of this Report

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.

Kelley Galloway Smith Hoobly, PSC

October 12, 2015
Ashland, Kentucky

**BOYD COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

(A) SUMMARY OF AUDIT RESULTS

Type of Auditor's report issued: Unmodified

Internal Control over financial reporting:

Material weakness(es) identified? _____ yes x no

Significant deficiency(ies) identified? _____ yes x none reported

Noncompliance material to the financial statements noted? _____ yes x no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes x no

Significant deficiency (ies) identified? _____ yes x none reported

Type of audit auditor's report issued on Compliance for major programs: Unmodified

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

The District had the following major programs with CFDA numbers in parentheses for the year ended June 30, 2015:

- Head Start (93.600)
- Special Education Cluster (84.027 & 84.173)
- Improving Teacher Quality State Grant (84.367)
- Child Nutrition Cluster (10.553, 10.555, and 10.559)

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

The District qualified as a low risk auditee x yes _____ no

(B) FINDINGS RELATED TO FINANCIAL STATEMENTS IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS

None noted in the current year.

(C) FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

There were no findings in the current year.

BOYD COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

There were no findings in the prior year.

**BOYD COUNTY SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2015**

No corrective action plan needed in the current year.



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Boyd County School District
Ashland, Kentucky

In planning and performing our audit of the financial statements of Boyd County School District (the "District") as of and for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding these matters. This letter does not affect our report dated October 12, 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.

Kelley Galloway Smith Goolsby, PSC

October 12, 2015
Ashland, Kentucky

BOYD COUNTY SCHOOL DISTRICT

MANAGEMENT LETTER POINTS

FOR THE YEAR ENDED JUNE 30, 2015

2015-1 Deposits at the Boyd County Career Technical Education Center

Statement of Condition: We noted that two deposits (one for \$1,200 and one for \$262.27) received on June 30, 2015 were not deposited in the bank until July 6, 2015.

Criteria for Condition: In accordance with Redbook criteria, deposit amounts over \$100 should be made by the end of the next business day.

Cause of Condition: We were informed that the Secretary was gone for two weeks during which time the Principal placed money received into a safe until the Secretary returned.

Effect of Condition: Violation of Redbook established procedures.

Recommendation of the Condition: We recommend that the District stress the importance of properly following Redbook procedures.

Management Response: Not making the two deposits in a timely manner from the Boyd County Career Technical Education Center in July was a violation of the Redbook and Board requirements. The violations occurred during a time period when both the BCCTEC director and bookkeeper positions were vacant due to retirement and transfer, respectively. Our school bookkeepers are aware of the deposit requirements. The requirements were reemphasized during a recent Redbook training class.

2015-2 Internal Controls – Unused Sick Leave Accrual

Statement of Condition: We noted that the District's unused sick leave accrual had been recorded using the July 1, 2015 sick leave balances and pay rates rather than the June 30, 2015 information causing the accrual to be overstated at year end. The accrual was originally recorded at \$913,070 when the accrual should have been \$777,266. An adjustment was made to correct this.

Criteria for Condition: The unused sick leave accrual should be recorded using the June 30, 2015 information.

Cause of Condition: There was a timing issue between the date that the unused sick leave report was generated in relation to the timing of rolling MUNIS forward to the next fiscal year.

Effect of Condition: The unused sick leave was overstated.

Recommendation of the Condition: We recommend that controls be established to ensure that all reports are properly generated prior to rolling MUNIS forward into the new fiscal year.

Management Response: The miscalculation of unused sick leave liability was the result of a communication breakdown between the finance officer and the payroll department staff. It occurred when payroll staff updated salary schedules and accrued sick leave before the liability calculation was complete. This has not happened before and should not happen in the future. This incident will impact the process of obtaining this calculation in the future.

BOYD COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2015

Mr. R. Brock Walter, Superintendent, is the person responsible for initiation of the corrective action plan for the above conditions which will be implemented immediately. The corrective action plan is the management response for each condition.

Follow-up on Prior Year Recommendations

The prior year conditions have been implemented and corrected.