

BOYLE COUNTY BOARD OF EDUCATION
FINANCIAL STATEMENTS
SUPPLEMENTARY INFORMATION
And
INDEPENDENT AUDITOR'S REPORTS

Year Ended June 30, 2015

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BOYLE COUNTY BOARD OF EDUCATION
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**Unmodified Opinions on Basic Financial Statements Accompanied by
Required Supplementary Information and Other
Information – State or Local Governmental Entity**

INDEPENDENT AUDITOR'S REPORT

State Committee For School District Audits
Members of the Board of Education
Boyle County Board of Education
Danville, 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 Boyle County Board of Education as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the provisions of Office of Management and Budget Circular A-133, Audits of States and Local Governments, and Non-Profit Organizations, and the audit requirements prescribed by the Kentucky State Committee for School District Audits. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

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

Opinions

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

Emphasis of Matter

As described in Note S 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 on pages 7 through 11, budgetary comparison information on pages 51 and 52, and the Schedules of Proportionate Share of the Net Position Liability, and Schedule of Contributions on pages 64 and 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The combining statements for nonmajor governmental funds and fiduciary funds, the statement of receipts, disbursements, and due to student groups-Boyle County High School, and the schedule of expenditures of federal awards, as required by 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 statements for nonmajor funds and fiduciary funds, the statement of receipts, disbursements, and due to student groups-Boyle County High School, and the schedule of expenditures of federal awards is the responsibility of management and was derived from and relates 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 statements for nonmajor funds and fiduciary funds, the statement of receipts, disbursements, and due to student groups-Boyle County High School, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2015 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

Denise M. Keene

Denise M. Keene, CPA
Georgetown, Kentucky
November 9, 2015

**BOYLE COUNTY BOARD OF EDUCATION
DANVILLE, KENTUCKY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

As management of the Boyle 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 audit.

FINANCIAL HIGHLIGHTS

The beginning cash balance, including activity funds, for the District was \$5,422,286. The ending cash balance, including activity funds, for the District was \$9,091,948.

The General Fund had \$22,631,241 in revenue, which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes. Excluding inter-fund transfer, there were \$20,717,528 in General Fund expenditures. This includes on-behalf payments of \$3,961,475.

Total taxes collected were \$8,475,067 including property, vehicles and utility taxes. The levied equivalent of \$.05 cents was allocated to the building funds, resulting in revenues of \$557,905. These funds are used for retirement of debt service on facilities and/or capital construction projects as set forth by the long range district facility plan.

The District purchased two new school buses during the year.

The District issued two new bonds during the year, \$1,895,000 for new construction and \$866,000 in refunding bond issue.

The District purchased Chromebooks for every student in the middle school and high school. 1470 devices were purchased at \$270.75 each. The total expenditure was \$398,002.50. This initiative allows students to learn anytime, anywhere.

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) district-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.

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

The district-wide financial statements can be found on pages 12 and 13 of this report.

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

The basic governmental fund financial statements can be found on pages 14-22 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 district-wide and fund financial statements. The notes to the financial statements can be found on pages 23-49 of this report.

DISTRICT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$7,078,926 as of June 30, 2015.

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

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

	Net Position (in thousands)					
	Governmental		Business-type		Total	
	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>
Assets	\$29,207	\$31,592	\$607	\$602	\$29,814	\$32,194
Deferred Outflows of Resources	\$1,127	\$940	\$83	\$76		
Liabilities	\$25,105	\$25,089	\$649	\$621	\$25,754	\$25,710
Deferred Inflows of Resources	\$0	\$364	\$0	\$69	\$0	\$433
Investment in capital assets (net of debt)	\$3,708	\$1,758	\$170	\$139	\$3,878	\$1,897
Restricted	283	1,782	(129)	(152)	154	1,630
Unrestricted	<u>1,238</u>	<u>3,539</u>			<u>1,238</u>	<u>3,539</u>
Total Net Position	\$5,229	\$7,079	\$41	(\$13)	\$5,270	\$7,066

Budgetary Implications

In Kentucky the public school fiscal year is July 1 - June 30; other programs, i.e. some federal operate on a different fiscal year, but are reflected in the district overall budget. By law the budget must have a minimum 2 percent contingency. The district adopted a budget with \$2,740,115 in contingency, which is 13.9 percent.

Comments on Budget Comparisons

The original budget was amended to reflect changes in the site based allocations and anticipated revenues. The changes made were based on more accurate data being available after the first couple of months of the fiscal year.

Changes in Net Position (in thousands)						
	Governmental		Business-type		Total	
Revenues	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>
Local Revenue Sources	\$8,093	\$9,104	\$488	\$482	\$8,581	\$9,586
State Revenue Sources	\$15,513	\$18,884	\$205	\$215	\$15,718	\$19,099
Federal Revenue Sources	\$1,374	\$1,288	\$849	\$835	\$2,223	\$2,123
Investments	<u>\$33</u>	<u>\$46</u>	<u>\$3</u>	<u>\$0</u>	<u>\$36</u>	<u>\$46</u>
Total Revenues	25,013	29,322	1,545	1,532	26,558	30,854
Expenses	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>
Instruction	12,958	16,095	0	0	12,958	16,095
Student Support Services	1,260	1,232	0	0	1,260	1,232
Instructional Support	1,994	2,161	0	0	1,994	2,161
District Administration	809	1,454	0	0	809	1,454
School Administration	987	1,046	0	0	987	1,046
Business Support	840	689	0	0	840	689
Plant Operations	1,327	1,314	0	0	1,327	1,314
Student Transportation	1,514	1,475	0	0	1,514	1,475
Central Office	25	0	0	0	25	0
Facilities Acquisition & Construction	0	0	0	0	0	0
Community Support	1,520	1,478	20	15	1,540	1,493
Food Service	0	0	1,518	1,570	1,518	1,570
Debt Service	676	691	0	0	676	691
Total Expenses	23,910	27,635	1,538	1,585	25,448	29,220
Transfers	(52)	57	0	0	(52)	57
Sale of Assets	1	3	0	0	1	3
Loss Compensation	0	108	0	0	0	108
Change in Net Position	1,052	1,855	7	(53)	1,059	1,802
Beginning Net Position	<u>4,172</u>	<u>5,224</u>	<u>33</u>	<u>40</u>	<u>4,205</u>	<u>5,264</u>
Ending Net Position	\$5,224	\$7,079	\$40	(\$13)	\$5,264	\$7,066

The government's overall financial position and results of operations increased as a result of the year's operations as reflected in the increase in net position for the year.

INFRASTRUCTURE

The District has not reported any infrastructure in the current financial statements.

Analysis of balances and transactions of individual funds (in thousands)

Fund	Beginning	Revenues	Expenses	Transfer	Ending
General Fund	\$4,450	\$22,721	\$20,717	(\$183)	\$6,271
Special Revenue	\$111	\$2,642	\$2,727	\$111	\$137
Capital Outlay	\$50	\$241	\$0	(\$202)	\$89
Building	\$122	\$903	\$0	(\$1,025)	\$0
Construction	\$108	\$2	\$498	\$1,936	\$1,548
Debt Service	\$247	\$3,472	\$2,671	(\$579)	\$469

Capital Assets and Long-Term Debt Activity (in thousands)

	Beginning	Additions	Deductions	Ending
Governmental				
Capital Assets	\$48,200	\$831	\$246	\$48,785
Accumulated Depreciation	\$24,554	\$1,487	\$0	\$26,041
Business-Type				
Capital Assets	\$885	\$0	\$0	\$885
Accumulated Depreciation	\$715	\$30	\$0	\$745
Bonds Payable	\$20,033	\$2,750	\$1,870	\$20,913
Capital Lease Payable	\$155	\$0	\$61	\$94
Sick Leave Payable	\$1,081	\$0	\$815	\$266
Judgments Payable	\$230	\$0	\$58	\$172

CURRENT ISSUES

The Boyle County Board of Education is currently in discussion to buy land. The potential land acquisition could be used for construction of facilities.

In the third year of the state's more rigorous testing and accountability system. Boyle County Public Schools was ranked as the #1 county school district in Kentucky and #6 overall. This is the fourth consecutive year that we have ranked in the top ten in Kentucky, as a district, in academic performance. Perryville Elementary is ranked 6th statewide out of 713 elementary schools. This is the highest statewide ranking ever for a Boyle County School. Boyle County Middle School is ranked 28th statewide out of 229 schools. Boyle County High School achieved an average of 21.6 composite score on the ACT. This ranks 15th in the state. All 5 Boyle County Schools have been labeled proficient or distinguished every year that KPREP has been in existence, and each of our schools continues to prepare students at the highest levels.

Boyle County Middle School is currently undergoing a major renovation during FY 15 that will be completed in FY 16.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Board's finances and to reflect the Board's accountability for the monies it receives. Questions about this report or additional financial information should be directed to the Superintendent, Mike LaFavers, or to the Finance Officer, David Morris, or by mail at 352 North Danville By-Pass, Danville, Kentucky 40422.

BOYLE COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
DISTRICT WIDE
As of June 30, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and equivalents - Note C	\$8,416,587	\$401,970	\$8,818,557
Accounts receivable	430,622	253	430,875
Inventory		60,628	60,628
Land and construction in progress	306,605		306,605
Other capital assets, net of depreciation	<u>22,437,883</u>	<u>139,431</u>	<u>22,577,314</u>
Total capital assets	<u>22,744,488</u>	<u>139,431</u>	<u>22,883,919</u>
TOTAL ASSETS	\$31,591,697	\$602,282	\$32,193,979
DEFERRED OUTFLOWS OF RESOURCES			
Advanced Bond Refundings	\$436,959	\$	\$436,959
Pensions	<u>503,290</u>	<u>76,039</u>	<u>579,329</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$940,249	\$76,039	\$1,016,288
LIABILITIES			
Accounts payable	202,881		202,881
Accrued salaries & benefit payable	2,737		2,737
Unearned revenue	109,191		109,191
Interest payable	73,147		73,147
Long-term Liabilities			
Due within 1 year	1,248,762		1,248,762
Due in more than 1 year	20,197,179		20,197,179
Pension Liability	<u>3,255,531</u>	<u>621,469</u>	<u>3,877,000</u>
TOTAL LIABILITIES	\$25,089,428	\$621,469	\$25,710,897
DEFERRED INFLOWS OF RESOURCES			
Pension	\$363,592	\$69,408	\$433,000
NET POSITION			
Net investment in capital assets	\$1,758,341	\$139,431	\$1,897,772
Restricted			
Food Service		(151,987)	(151,987)
Other	126,548		126,548
SFCC	89,656		89,656
Future Construction	67,379		67,379
Debt Service	469,725		469,725
Committed	1,028,579		1,028,579
Unrestricted	<u>3,538,698</u>		<u>3,538,698</u>
TOTAL NET POSITION	\$7,078,926	(\$12,556)	\$7,066,370

See accompanying notes

BOYLE COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
DISTRICT WIDE

For the year ended June 30, 2015

FUNCTIONS/PROGRAMS

Governmental Activities

	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Net (Expense) Revenue and Changes in Net Position Business-type Activities	Total
Instruction	\$16,095,383	\$21,547	\$1,967,662		(\$14,106,174)		(\$14,106,174)
Support services:							
Student	1,232,106		19,608		(1,212,498)		(1,212,498)
Instruction staff	2,160,763		428,997		(1,731,766)		(1,731,766)
District administrative	1,453,611				(1,453,611)		(1,453,611)
School administrative	1,045,811				(1,045,811)		(1,045,811)
Business	689,430				(689,430)		(689,430)
Plant operation and maintenance	1,314,091				(1,314,091)		(1,314,091)
Student transportation	1,475,318				(1,475,318)		(1,475,318)
Community service activities	1,477,680		226,228		(1,251,452)		(1,251,452)
Interest on long-term debt	691,296	0	0	156,905	(534,391)		(534,391)
Total governmental activities	27,635,489	21,547	2,642,495	156,905	(24,814,542)		(24,814,542)

Business-type Activities

Food service	1,569,991	463,366	1,042,407		(64,218)		(64,218)
Adult education	14,994	16,900	7,588		9,494		9,494
Total business-type activities	1,584,985	480,266	1,049,995		(54,724)		(54,724)
Total school district	\$29,220,474	\$501,813	\$3,692,490	\$156,905	(\$24,814,542)	(\$54,724)	(\$24,869,266)

General Revenues

Property taxes	\$6,763,095						\$6,763,095
Motor Vehicle taxes	551,852						551,852
Utility taxes	1,160,120						1,160,120
State aid-formula grants	17,574,345						17,574,345
Federal funds	104,677						104,677
Investment earnings	45,698				1,782		47,480
Loss Compensation	108,401						108,401
Sale of assets	3,150						3,150
Transfer in	57,308						57,308
Miscellaneous	301,030						301,030
Total general & special	26,669,676				1,782		26,671,458
Change in net positions					(52,942)		1,802,192
Net position - beginning					605,532		8,428,692
Prior period adjustment - Note U					(565,146)		(3,164,514)
Net position - ending					(\$12,556)		\$7,066,370

See accompanying notes

BOYLE COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2015

	General Fund	Special Revenue	Construction Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$6,080,669	\$137,285	\$1,701,554	\$469,725	\$89,656	\$8,478,889
Other receivables	<u>256,094</u>	<u>174,528</u>				<u>430,622</u>
TOTAL ASSETS	\$6,336,763	\$311,813	\$1,701,554	\$469,725	\$89,656	\$8,909,511
LIABILITIES						
Bank Overdraft	\$	\$62,302	\$	\$	\$	\$62,302
Accounts payable	46,654	3,080	153,147			202,881
Accrued salaries & benefit payable	2,737					2,737
Unearned revenue		109,191				109,191
Sick leave payable in process	<u>16,864</u>					<u>16,864</u>
TOTAL LIABILITIES	66,255	174,573	153,147			393,975
Fund Balances						
Committed	1,028,578					1,028,578
Restricted						
Other		137,240				137,240
SFCC					89,656	89,656
Future Construction	50,000		1,548,407			1,598,407
Debt Service				469,725		469,725
Unassigned	<u>5,191,930</u>					<u>5,191,930</u>
Total fund balances	6,270,508	137,240	1,548,407	469,725	89,656	8,515,536
TOTAL LIABILITIES AND FUND BALANCE	\$6,336,763	\$311,813	\$1,701,554	\$469,725	\$89,656	\$8,909,511

See accompanying notes

BOYLE COUNTY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO
 THE STATEMENT OF NET POSITION
 As of June 30, 2015

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

Total Fund Balance - Governmental Funds		\$8,515,536
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position		22,744,488
Deferred outflow of resources		940,249
Deferred inflow of resources		(363,592)
Certain liabilities are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position		
	Bonds Payable	(20,913,000)
	Pension Liability	(3,255,531)
	Capital Lease Obligations	(93,759)
	KSBIT Payable	(172,351)
	Accrued Interest on Bonds	(73,147)
	Accumulated Sick Leave	<u>(249,967)</u>
Total Net Position - Governmental Activities		\$7,078,926

See accompanying notes

BOYLE 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	Construction Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
From local sources						
Property taxes	\$6,205,190	\$	\$0		\$557,905	\$6,763,095
Motor vehicle taxes	551,852					551,852
Utility taxes	1,160,120					1,160,120
Earnings on investments	38,474		2,306	3,295	1,623	45,698
Other local revenues	343,978	306,984	(21,401)			629,561
Intergovernmental - State	14,331,627	1,151,937		614,477	584,694	16,682,735
Intergovernmental - Federal	<u>0</u>	<u>1,183,574</u>		<u>104,677</u>		<u>1,288,251</u>
Total revenues	22,631,241	2,642,495	(19,095)	722,449	1,144,222	27,121,312
Expenditures						
Instruction	10,770,833	2,052,613				12,823,446
Support services						
Student	886,589	19,608				906,197
Instruction staff	1,727,097	428,997				2,156,094
District administration	1,446,302					1,446,302
School administration	1,044,868					1,044,868
Business	674,816					674,816
Plant operation and maintenance	1,363,625					1,363,625
Student transportation	1,552,046					1,552,046
Community service activities	1,251,352	226,228				1,477,580
Facilities			498,075			498,075
Debt service	<u>0</u>			<u>2,670,693</u>		<u>2,670,693</u>
Total expenditures	20,717,528	2,727,446	498,075	2,670,693		26,613,742
Excess(deficit)of revenues over expenditures	1,913,713	(84,951)	(517,170)	(1,948,244)	1,144,222	507,570
Other Financing Sources (Uses)						
Sale of Assets	3,150					3,150
Loss compensation	87,000		21,401			108,401
Bond proceeds				2,750,000		2,750,000
Operating transfers in	14,237	112,818	1,936,078	1,257,116		3,320,249
Operating transfers out	<u>(197,878)</u>	<u>(1,981)</u>		<u>(1,835,968)</u>	<u>(1,227,114)</u>	<u>(3,262,941)</u>
Total other financing sources (uses)	(93,491)	110,837	1,957,479	2,171,148	(1,227,114)	2,918,859
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	1,820,222	25,886	1,440,309	222,904	(82,892)	3,426,429
Fund balance, July 1, 2014	4,450,286	111,354	108,098	2,544	172,548	4,844,830
Prior period adjustment, Note V				<u>244,277</u>		<u>244,277</u>
Fund balance, June 30, 2015	<u>\$6,270,508</u>	<u>\$137,240</u>	<u>\$1,548,407</u>	<u>\$469,725</u>	<u>\$89,656</u>	<u>\$8,515,536</u>

See accompanying notes

BOYLE COUNTY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO
 THE DISTRICT-WIDE STATEMENT OF ACTIVITIES
 For The Year Ended June 30, 2015

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

Total net change in fund balances - governmental funds \$3,426,429

Capital outlays are reported as expenditures in this fund financial
 statement because they use current financial resources, but they
 are presented as assets in the statement of activities and
 depreciated over their estimated economic lives. The difference
 is the amount by which capital outlays exceeds depreciation
 expense for the year.

	Depreciation Expense	(1,486,850)	
	Capital Outlays	<u>585,188</u>	(901,662)
Deferred Outflows of Resources - Advanced Bond Refundings		53,958	
Amortization of Advance Bond Refundings		<u>(46,133)</u>	7,825
Change in Deferred Outflows of Resources - Pensions			(194,421)
Change in Deferred Inflows of Resources - Pensions			(363,592)

Bond proceeds provide current financial resources to
 governmental funds, but issuing debt increases long-term
 liabilities in the statement of net position. Repayment of bond
 principal is an expenditure in the governmental funds, but the
 repayment reduces long-term liabilities in the statement of net
 position.

	Bond Principal Payments	1,870,000	
	Capital Lease Payments	61,313	
	Bond Proceeds	(2,750,000)	

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

	Change in Accrued Interest	40,260	
	Change in Pension Liability	36,160	
	KSBIT Judgment	58,052	
	Change in Sick Leave	<u>564,770</u>	

Total Change in Net Position - Governmental Activities \$1,855,134

See accompanying notes

BOYLE COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
As of June 30, 2015

	Business-Type Activities Enterprise Funds		
	Food Service	Adult Education	Total
ASSETS			
Cash and Equivalents	\$392,476	\$9,494	\$401,970
Account Receivable	253		253
Inventory	60,628		60,628
Capital Assets, net of depreciation	<u>139,431</u>	<u> </u>	<u>139,431</u>
TOTAL ASSETS	\$592,788	\$9,494	\$602,282
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows from pension	\$76,039	\$0	\$76,039
LIABILITIES			
Pension liability- long term	\$621,469	\$0	\$621,469
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from pension	\$69,408	\$0	\$69,408
NET POSITION			
Net Investment in Capital Assets	139,431	0	139,431
Restricted Net Position	<u>(161,481)</u>	<u>9,494</u>	<u>(151,987)</u>
TOTAL NET POSITION	(\$22,050)	\$9,494	(\$12,556)

See accompanying notes

BOYLE COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For The Year Ended June 30, 2015

	Business-Type Activities Enterprise Funds		
	Food Service	Adult Education	Total
OPERATING REVENUES			
Lunchroom sales	\$459,317	\$0	\$459,317
Other revenues	<u>4,049</u>	<u>16,900</u>	<u>20,949</u>
Total Operating Revenues	463,366	16,900	480,266
OPERATING EXPENSES			
Salaries and wages	792,239	14,559	806,798
Contract services	49,032	435	49,467
Materials and supplies	697,785		697,785
Depreciation	30,186		30,186
Miscellaneous	<u>749</u>		<u>749</u>
Total Operating Expenses	1,569,991	14,994	1,584,985
Operating income (loss)	(1,106,625)	1,906	(1,104,719)
NON-OPERATING REVENUES (EXPENSES)			
Federal grants	750,095		750,095
Commodities received	84,691		84,691
State grants	13,709		13,709
State on-behalf payments	193,912	7,588	201,500
Interest income	<u>1,782</u>	<u>0</u>	<u>1,782</u>
Non-operating revenues (expenses)	1,044,189	7,588	1,051,777
Net income (loss) before Capital Contributions	(62,436)	9,494	(52,942)
Increase (decrease) in Net Position	(62,436)	9,494	(52,942)
Net Position, July 1, 2014	605,532	0	605,532
Prior Period Adjustment, Note U	<u>(565,146)</u>	<u>0</u>	<u>(565,146)</u>
Net Position, June 30, 2015	(\$22,050)	\$9,494	(\$12,556)

See accompanying notes

BOYLE COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended June 30, 2015

Business-Type Activities
Enterprise Funds

	<u>Food Service</u>	<u>Adult Education</u>	<u>Total</u>
CASH FLOW FROM OPERATING ACTIVITIES			
Cash received from customers	\$463,366	\$16,900	\$480,266
Cash paid to employees, including benefits	(548,635)	(6,971)	(555,606)
Cash paid to suppliers	<u>(680,911)</u>	<u>(435)</u>	<u>(681,346)</u>
Net cash provided by operating activities	(766,180)	9,494	(756,686)
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES			
Cash received from government funding	<u>801,419</u>		<u>801,419</u>
Net cash provided from capital and related financing activities	801,419		801,419
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest Income	1,782		1,782
Net cash provided from capital and related financing activities	1,782		1,782
Net increase (decrease) in cash	37,021	9,494	46,515
Cash and equivalents, July 1, 2014	<u>355,455</u>	<u>0</u>	<u>355,455</u>
Cash and equivalents, June 30, 2015	\$392,476	\$9,494	\$401,970
Reconciliation of Operating income (loss) to Net Cash Provided by Operating Activities			
Operating income (loss)	(\$1,106,625)	\$1,906	(\$1,104,719)
Adjustments to reconcile net income to cash provided by operating activities			
Depreciation	30,186		30,186
On-behalf payments	193,912	7,588	201,500
Commodities used	84,691		84,691
Decrease (Increase) in inventory	(16,469)		(16,469)
Increase (decrease) in pension	49,692		49,692
Increase (decrease) in accounts payable	<u>(1,567)</u>	_____	<u>(1,567)</u>
Net cash provided by operating activities and increase in cash and equivalents	(\$766,180)	\$9,494	(\$756,686)
Schedule of Non-Cash Financing Activities			
Donated commodities	\$84,691		\$84,691
On Behalf payments	\$193,912	\$7,588	\$201,500

See accompanying notes

BOYLE COUNTY SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 FIDUCIARY FUNDS
 As of June 30, 2015

	<u>Private Purpose Trust Funds</u>	<u>Agency Fund</u>
ASSETS		
Cash and equivalents	\$45,921	\$273,391
Accounts receivable	<u> </u>	<u>349</u>
TOTAL ASSETS	\$45,921	\$273,740
 LIABILITIES		
Accounts payable		\$5,620
Due to student groups		<u>268,120</u>
TOTAL LIABILITIES		\$273,740
NET POSITION HELD IN TRUST	\$45,921	

See accompanying notes

BOYLE COUNTY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 For The Year Ended June 30, 2015

	Private Purpose <u>Trust Funds</u>
ADDITIONS:	
Contributions	\$31,325
Fundraising	<u>4,913</u>
TOTAL ADDITIONS	36,238
DEDUCTIONS:	
Benefits Paid	12,937
Transfer Out	<u>2,775</u>
TOTAL DEDUCTIONS	15,712
Change in Net Position	20,526
NET POSITION, July 1, 2014	<u>25,395</u>
NET POSITION, June 30, 2015	\$45,921

See accompanying notes

BOYLE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

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

Boyle County School District Finance Corporation (the Corporation) – the Boyle County Board of Education has established the Boyle 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 Boyle County Board of Education also comprise the Corporation's Board of Directors.

Basis of Presentation

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

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

BOYLE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2015

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

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

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. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for and reports all financial resources not accounted for and reported in another fund. 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 Fund accounts for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

BOYLE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2015

- (C) Capital Project Funds are used to account for and report financial resource that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.
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 Construction Fund includes Capital Projects Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction and/or renovations. This is a major fund.

II. Debt Service Fund

The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds are used to report resources if legally mandated. Financial resources that are being accumulated for principal and interest maturing in future years are reported in debt service funds. This is a major fund.

III. Proprietary Funds (Enterprise Fund)

1. 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). This is a major fund for the District.
2. The Adult Education Fund is used to account for adult education activities.

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

1. The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with Uniform Program of Accounting for School Activity Funds.
2. The Private Purpose Trust Funds are used to report trust arrangements under which principal and income benefit individuals, private organizations or other governments.

BOYLE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2015

V. Permanent Funds

Permanent Funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs – that is, for the benefit of the government or its citizenry.

Basis of Accounting

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

Revenues – Exchanges 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 used 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 – 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.

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

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

BOYLE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2015

Property Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied.

The property tax rates assessed for the year ended June 30, 2015, to finance operations were \$.659 per \$100 valuation for real property, \$.659 per \$100 valuation for business personal property. Motor vehicle tax rates were set at \$.539 per \$100 valuation.

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

Fund Balance Classification Policies and Procedures

The Board intends that accounting practices follow state and federal laws and regulations and generally accepted accounting policies.

Nonspendable Fund Balance

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

Restricted Fund Balance

Fund Balance will be reported as restricted when constraints placed on the use of resources are either; (a) externally imposed by creditors, grantors, contributors, or laws or regulations or other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

The Board will use restricted amounts before unrestricted amounts when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

Committed Fund Balance

Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Education will be reported as committed fund balance.

Assigned Fund Balance

Amounts that have been assigned for a specific purpose by formal resolution of the Board of Education will be reported as assigned fund balance for a specific purpose.

Unassigned Fund Balance

Unassigned Fund Balance is the residual classification for the general fund.

When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classification could be used, the funds will first be spent from committed, then assigned, and then finally unassigned.

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.

BOYLE COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2015

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District does not possess any infrastructure. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

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 "sick leave payable in process" in the general fund. The noncurrent portion of the liability is not reported.

BOYLE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2015

Budgetary Process

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

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

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

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

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

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

Inventories

On district-wide financial statements inventories are stated at cost and are expensed when used.

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

The food service fund uses the specific identification method and the general fund uses the first-in, first-out method.

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2015 are recorded as prepaid items using the consumption method. Prepaid assets are only recorded if material to the financial statements.

Pensions

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

BOYLE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2015

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the district-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, 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.

Net Position

Net position represent 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 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 funds. For the District, those revenues are primarily charges for meals provided by the various schools and collections for services such as child care.

Contributions of Capital

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

Subsequent Events

Subsequent events were considered through November 9, 2015, which represents the date of my report.

BOYLE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2015

Interfund Activity

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.

Uses of Estimates

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

Encumbrances

Encumbrances are not liabilities and therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying combined financial statements.

NOTE B – PROPERTY TAX CALENDAR

Property taxes for fiscal year 2015 were levied on the assessed valuation of property located in the School District as of January 1, 2014 lien date. The due date and collection periods for all taxes exclusive of vehicle taxes are as follows:

Description	per KRS 134.015
Due date for payment of taxes	Upon receipt
Face value amount payment date	December 31
Delinquent date, 5% penalty	January 1 – January 31
Delinquent date, 10% penalty	February 1

Vehicle taxes are collected by the County Clerk and are due and collected in the birth month of the vehicle's licensee.

BOYLE COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2015

NOTE C – CASH AND CASH EQUIVALENTS

At year-end, the carrying amount of the District's total cash and cash equivalents was \$9,091,948. Of the total cash balance, \$250,000 was covered by Federal Depository insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

Cash and cash equivalents at June 30, 2015 consisted of the following:

	Bank Balance	Book Balance
General Checking Account		
Fund 1 (General Fund)	\$	\$ 6,080,669
Fund 2 (Special Revenue Fund)		(62,302)
Fund 22 (District Activity Fund)		137,285
Fund 310 (Capital Outlay Fund)		89,656
Fund 320 (Building Fund)		0
Fund 360 (Construction Fund)		1,701,554
Fund 51 (Food Service)		392,476
Fund 54 (Adult Education)		<u>9,494</u>
Total General Checking Account	8,547,335	8,348,832
Activity and Trust Funds	281,244	273,391
Debt Service Funds	<u>469,725</u>	<u>469,725</u>
TOTALS	\$ 9,298,304	\$ 9,091,948

Breakdown per financial statements:

Governmental Funds	\$ 8,416,587
Proprietary Funds	401,970
Agency Funds	<u>273,391</u>
TOTALS	\$ 9,091,948

NOTE D – CAPITAL ASSETS

Depreciation expense was charged to functions of the governmental activities as follows:

Instruction	\$ 994,211
Support Services	
Student	325,909
Instructional staff	4,669
District administration	7,309
School administration	943
Business	14,614
Plant operations & maintenance	8,519
Student transportation	130,576
Community service	<u>100</u>
Total Depreciation expense, governmental activities	\$ 1,486,850

BOYLE COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2015

NOTE D – CAPITAL ASSETS

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

Governmental Activities	Beginning	Additions	Deletions	Ending
Land	169,950			169,950
Land Improvements	1,522,505			1,522,505
Buildings/Bldg Improvements	39,430,210	590,818		40,021,028
Technology Equipment	1,440,572			1,440,572
Vehicles	3,265,500	207,304		3,472,804
General Equipment	1,988,359	33,074		2,021,433
Construction Work In Process	<u>382,665</u>		<u>246,010</u>	<u>136,655</u>
Total Historical Cost	48,199,761	831,196	246,010	48,784,947
Accumulated Depreciation				
Land Improvements	180,283	47,495		227,778
Buildings/Bldg Improvements	18,509,298	1,234,668		19,743,966
Technology Equipment	1,302,348	48,926		1,351,274
Vehicles	2,708,173	129,107		2,837,280
General Equipment	<u>1,853,507</u>	<u>26,654</u>		<u>1,880,161</u>
Total Accumulated Depreciation	24,553,609	1,486,850	0	26,040,459
Capital Assets - Net	23,646,152	(655,654)	246,010	22,744,488
Business-Type Activities				
	Beginning	Additions	Deletions	Ending
Technology Equipment	32,759			32,759
General Equipment	<u>852,103</u>			<u>852,103</u>
Total Historical Cost	884,862	0	0	884,862
Accumulated Depreciation				
Technology Equipment	24,942	3,620		28,562
General Equipment	<u>690,303</u>	<u>26,566</u>		<u>716,869</u>
Total Accumulated Depreciation	715,245	30,186	0	745,431
Capital Assets - Net	169,617	(30,186)	0	139,431

BOYLE COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2015

NOTE E – BONDED DEBT AND LEASE OBLIGATIONS

The amount shown in the accompanying financial statements as lease obligations represents the District's future obligations to make lease payments relating to the bonds issued aggregating the original amount of each issue, the issue date, and interest rates are summarized below:

Issue Date	Proceeds	Interest Rates
2004	\$515,000	3.00% -5.00%
2005	\$4,760,000	2.44% -4.44%
2007	\$1,490,000	3.60% -4.00%
2008	\$1,095,000	2.50% - 3.25%
2010	\$2,765,000	4.50%
2010R	\$5,395,000	1.00% - 3.00%
2011	\$2,095,000	1.00% - 4.25%
2012	\$1,320,000	2.83%
2012QZAB	\$2,823,000	4.08%
2013R	\$4,315,000	1.91% - 2.00%
2015R	\$855,000	2.35%
2015	\$1,895,000	2.00% - 3.25%

The District, through the General Fund (including utility taxes) and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

There are a number of limitations and restrictions contained in the various bond indentures. Management has indicated that the District is in compliance with all significant limitations and restrictions as of June 30, 2015.

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

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the maturity, the minimum obligations of the District, including amounts to be paid by the Commission at June 30, 2015, for debt service (principal and interest) are as follows:

BOYLE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2015

NOTE E – BONDED DEBT AND LEASE OBLIGATIONS (continued)

Year	Boyle County School		SFCC		Sinking Fund		U.S	Total
	Principal	Interest	Principal	Interest	Boyle	SFCC	Treasury	
2015-16	724,541	345,821	425,459	160,077	24,547	70,118	112,920	1,863,483
2016-17	739,667	331,875	435,333	150,405	24,547	70,118	112,920	1,864,865
2017-18	758,555	314,026	431,445	138,747	24,547	70,118	112,920	1,850,358
2018-19	773,070	297,205	411,930	127,232	24,547	70,118	112,920	1,817,022
2019-20	801,126	275,714	423,874	115,287	24,547	70,118	112,920	1,823,586
2020-21	817,926	253,160	437,074	102,086	24,547	70,118	112,920	1,817,831
2021-22	845,114	224,650	314,886	89,351	24,547	70,118	112,920	1,681,586
2022-23	861,100	205,396	323,900	80,182	24,547	70,118	112,920	1,678,163
2023-24	881,353	185,626	333,647	70,432	24,547	70,118	112,920	1,678,643
2024-25	901,908	164,997	303,092	60,180	24,547	70,118	112,920	1,637,762
2025-26	923,143	143,733	296,857	51,632	24,547	70,118	112,920	1,622,950
2026-27	586,801	127,865	258,199	43,225	24,547	70,118	112,920	1,223,675
2027-28	612,456	107,577	187,544	34,813	24,547	70,118	112,920	1,149,975
2028-29	635,380	84,503	194,620	27,736	24,547	70,118	112,920	1,149,824
2029-30	663,033	61,202	201,967	20,388	24,547	70,118	112,920	1,154,175
2030-31	336,157	36,701	153,843	12,502	24,547	70,118	112,920	746,788
2031-32	252,180	25,774	47,820	6,474	24,548	70,118	112,920	539,834
2032-33	260,674	18,070	49,326	4,967	24,548	70,118	112,920	540,623
2033-34	189,071	12,398	50,929	3,364	94,666	0	112,920	463,348
2034-35	192,415	6,254	52,585	1,709	94,666	0	112,920	460,549
2035-35	<u>2,823,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>94,666</u>	<u>0</u>	<u>112,920</u>	<u>3,030,586</u>
Totals	15,578,670	3,222,547	5,334,330	1,300,789	725,846	1,262,124	2,371,320	29,795,626

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds	\$20,033,000	\$2,750,000	\$1,870,000	\$20,913,000	\$1,150,000
Capital Leases	\$155,072	\$0	\$61,313	\$93,759	\$46,886
Sick Leave	\$1,081,346		\$814,515	\$266,831	\$16,864
KSBIT Assessment	<u>\$230,404</u>		<u>\$58,053</u>	<u>\$172,351</u>	<u>\$35,012</u>
Totals	\$21,499,822	\$2,750,000	\$2,803,881	\$21,445,941	\$1,248,762

BOYLE COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2015

NOTE F – NONCAPITAL LEASES

Commitments under operating lease agreements for building provide the minimum future rental payments as of June 30, 2015 as follows:

Year Ending June 30, 2016 \$ 20,000

NOTE G – CAPITAL LEASE PAYABLE

The District leases buses under capital leases with KISTA. The leases expire on various dates from June 2015 through June 2018.

<u>Classes of Property</u>	Book value as of
Buses	<u>June 30, 2015</u>
	\$ 99,869

The following is a schedule by years of the future minimum lease payments under capital lease together with the present value of the net minimum lease payments as of June 30, 2015.

Year Ending <u>June 30,</u>	Capital Lease <u>Payable</u>
2016	\$ 50,422
2017	32,750
2018	16,489
2019	0
2020	0
Thereafter	<u>0</u>
Total minimum lease payments	\$ 99,661
Less amount representing interest	(5,902)
Present value of net minimum lease payments	\$ 93,759

NOTE H – INSURANCE AND RELATED ACTIVITIES

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

NOTE I - CONTINGENCIES

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

BOYLE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2015

NOTE J – 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 \$266,831.

NOTE K – INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2015, consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
None		

NOTE L – 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 purchases various commercial insurance policies.

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

NOTE M – DEFICIT OPERATING/FUND BALANCES

Funds with a current year deficit of revenues over expenditures	
Fund 320	(122,066)
Fund 51	(62,436)

NOTE N – COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss. The District notifies the Department of Employee Insurance (DEI) when an employee is no longer employed. DEI sends the employee the COBRA requirements

BOYLE COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2015

NOTE O – TRANSFER OF FUNDS

The following transfers were made during the year.

Type	From Fund	To Fund	Purpose	Amount
Operating	1	2	KETS Matching	\$ 57,765
Operating	1	2	Community Ed	10,000
Operating	1	2	Indirect Cost	1,981
Operating	1	360	Construction	63,017
Operating	1	400	Bond Payment	67,096
Operating	60	1	Closed Fund	9,481
Operating	60	2	Closed Fund	45,053
Operating	7000	1	Operating	2,775
Construction	320	360	Construction	37,093
Construction	400	360	Bond Proceeds	1,835,968
Debt Service	310	400	Bond Payment	202,054
Debt Service	320	400	Bond Payment	987,966

NOTE P – ON-BEHALF PAYMENTS

The financial statements include payments made by the Commonwealth of Kentucky for insurance, flexible spending, vocational and retirement benefits. The following amounts are included in each of the functions.

Health Insurance	\$ 2,505,787
Life Insurance	4,467
Administrative Fees	30,664
Health Reimbursement Account	132,041
Federal Reimbursement	(110,496)
KTRS	1,539,063
Technology On Behalf Payments	61,450
Debt Service On Behalf Payments	<u>614,477</u>
Total On-Behalf Payments	\$ 4,777,453
General Fund	\$ 3,961,475
Debt Service	614,477
Food Service	193,912
Adult Education	<u>7,589</u>
Total On-Behalf Payments	\$ 4,777,453

BOYLE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2015

NOTE Q – DEPOSITS AND INVESTMENTS

Interest rate risk. In accordance with the District's investment policy, interest rate risk is limited by investing in public funds with the highest rate of return with the maximum security of principal. Investments are undertaken in a manner that seeks to ensure preservation of the capital in its portfolio.

Credit risk. The District's investment policy limits the types of authorized investment instruments to obligations of the United States, its agencies, and instrumentalities. In addition, certificates of deposit or bonds of a bank or the Commonwealth of Kentucky, securities issued by a state or local government or shares of mutual funds are acceptable investments.

Concentration of credit risk. The district may invest, at any one time, funds in any one of the above listed categories with no limitation of the total amount of funds invested on behalf of the District.

Custodial credit risk – deposits. For deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned. The District maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As allowed by law the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times. As of June 30, 2015, the District's deposits are entirely insured and/or collateralized with securities held by the financial institutions on the District's behalf and the FDIC insurance.

NOTE R – KSBIT JUDGMENT

On June 4, 2014, the Franklin Circuit Court issued an order instructing the Rehabilitator to assess the former members of the Kentucky School Boards Insurance Trust Workers' Compensation Fund. The District was assessed \$52,259. The District has elected to pay 25% down, and the balance in equal installments for 6 years.

The following is a schedule by years of the future payments under the agreement.

Year Ending <u>June 30,</u>	<u>Amount</u>
2016	\$ 35,012
2017	35,012
2018	34,109
2019	34,109
2020	<u>34,109</u>
Total	\$172,351

BOYLE COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2015

NOTE S – GASB 68 AND GASB 71

In March 2009, the Governmental Accounting Standards Board (GASB) approved Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement 68 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. In November 2013, the GASB approved Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which amends paragraph 13 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of the statement must be implemented by the District no later than the fiscal year beginning July 1, 2015.

NOTE T – RETIREMENT PLANS

The following are payroll and retirement amounts for the years ended June 30, 2015, 2014, and 2013.

	2015	2014	2013
Total payroll	15,153,190	14,488,362	13,881,378
KTRS total payroll	12,221,235	11,628,199	11,519,532
CERS total payroll	2,771,746	2,860,163	2,361,846
Contribution requirement for CERS	610,493	660,652	578,488
District portion - CERS contribution	474,368	519,429	461,748
Employee portion - CERS contribution	139,246	141,223	116,740
KTRS contribution - Commonwealth of KY	1,539,063	1,454,301	1,411,835
KTRS contribution - district federal employees	104,961	261,545	224,884

NOTE U – GENERAL INFORMATION ABOUT THE PENSION PLANS

Teachers' Retirement System of the State of Kentucky (KTRS)

Plan Description – Teaching-certified employees of the 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 education 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.

BOYLE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2015

NOTE T – GENERAL INFORMATION ABOUT THE PENSION PLANS (continued)

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 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 services, 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 and 2.5% to 3% to be used in their benefit calculation. Effective July 1, 2008, the System 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 the System. 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, as a non-employer contributing entity, pays matching contributions of the amount 13.105% of salaries for local school district 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 district 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.

BOYLE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2015

NOTE T – GENERAL INFORMATION ABOUT THE PENSION PLANS (continued)

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 (.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 Kentucky School District did not report a liability for its proportionate share of the net pension liability because the State 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:

State's proportionate share of the net pension liability associated with the District	<u>\$ 76,313,459</u>
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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 System as determined by the actuary. At June 30, 2014, the District's proportion was 0.3714 percent.

BOYLE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2015

NOTE T – GENERAL INFORMATION ABOUT THE PENSION PLANS (continued)

District contributions subsequent to the measurement date of \$104,961 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

For the year ended June 30, 2015, the District recognized pension expense of \$1,539,063 and revenue of \$1,539,063 for support provided by the State on the Fund financial statements. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Actuarial 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:

Investment rate of return	7.50%, net of pension plan investment expense, including inflation.
Projected salary increases	4.00 – 8.20%, including inflation
Inflation rate	3.50%
Municipal Bond Index Rate	4.35%
Single Equivalent Interest Rate	5.23%

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with a setback of 1 year for females. The last experience study was performed in 2011 and the next experience study is scheduled to be conducted in 2016.

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

BOYLE COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2015

NOTE T – GENERAL INFORMATION ABOUT THE PENSION PLANS (continued)

The target 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	45.0%	6.4%
Non U.S. Equity	17.0%	6.5%
Fixed Income	24.0%	1.6%
High Yield Bonds	4.0%	3.1%
Real Estate	4.0%	5.8%
Alternatives	4.0%	6.8%
Cash	2.0%	1.5%
Total	<u>100.0%</u>	

Discount rate - The discount rate used to measure the total pension liability was 5.23%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67. It was 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 and as a result, the Municipal Bond Index Rate was used in the determination of the Single Equivalent Interest Rate (SEIR). On the Prior Measurement Date, the long-term expected rate of return of 7.50% on Plan investments was applied to periods before 2036 and a municipal bond index rate of 4.27% was applied to periods on or after 2036, resulting in an SEIR of 5.16%. There was a change in the Municipal Bond Index Rate from the Prior Measurement Date to the Measurement Date, so as required under GASB 68, the SEIR at the Measurement Date of 5.23% was calculated using the Municipal Bond Index Rate as of the Measurement Date (4.35%). This change in the discount rate is considered a change in actuarial assumptions under GASB 68.

The following table presents the District's proportionate share of the net pension liability of the System, calculated using the discount rate of 5.23%, 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 (4.23%) or 1-percentage-point higher (6.23%) than the current rate (\$ thousands):

	1% Decrease (4.23%)	Current Discount Rate (5.23%)	1% Increase (6.23%)
System's net pension liability	\$100,734	\$80,194	\$63,243

BOYLE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2015

NOTE T – GENERAL INFORMATION ABOUT THE PENSION PLANS (continued)

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

June 30, 2013 is the actuarial valuation date upon which the TPL is based. An expected TPL is determined as of June 30, 2014 using standard roll forward techniques. The procedure used to determine the TPL as of June 30, 2014 is shown on page 6 of the GASB 67 report for KTRS submitted on December 11, 2014.

Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense they are labeled deferred inflows. If they will increase pension expense they are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average expected remaining service life of the active and inactive Plan members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five year period.

KENTUCKY RETIREMENT SYSTEM
County Employees Retirement System (CERS)

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 17.67% of the member's salary. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

BOYLE COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2015

NOTE T – GENERAL INFORMATION ABOUT THE PENSION PLANS (continued)

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 .119503%.

For the year ended June 30, 2015, the District recognized pension expense of \$310,000. At June 30, 2015, the District reported deferred outflows of resources for District contributions subsequent to the measurement date of \$104,961 and deferred inflows of resources related to pensions from the net difference between projected and actual earnings on pension plan investments in the amount of \$433,000.

District contributions subsequent to the measurement date of \$104,961 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to CERS will be recognized in pension expense as follows:

<u>Year</u>	
2016	\$ 86,600
2017	86,600
2018	86,600
2019	86,600
2020	<u>86,600</u>
	<u>\$ 433,000</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

BOYLE COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2015

NOTE T – GENERAL INFORMATION ABOUT THE PENSION PLANS (continued)

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 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>
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%	5.50%
Commodities	5.0%	7.75%
TIPS	5.0%	5.00%
Cash	1.0%	3.25%
	<u>100.0%</u>	

BOYLE COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2015

NOTE T – GENERAL INFORMATION ABOUT THE PENSION PLANS (continued)

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 of benefit payments to determine the total pension liability.

The Schedule of 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:

	1% Decrease (6.75%)	Current discount rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 5,102,000	\$ 3,877,000	\$ 2,795,000

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 the District had payables to CERS in the amount of \$0 for June's covered payroll with contributions required to be paid in July.

BOYLE COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2015

NOTE U – RESTATEMENT OF NET POSITION – DISTRICT WIDE

	Governmental	Proprietary
Cash, Debt Service	\$ 244,277	\$ 0
Bonds Payable	(249,665)	0
Deferred Outflows from Pension	697,711	83,263
Pension Liability	<u>(3,291,691)</u>	<u>(648,409)</u>
Restatement of beginning net position	\$(2,599,368)	\$ (565,146)

The District adopted GASB 68 and 71 during the fiscal year, recording their proportionate share of the pension plan liabilities.

Bonds payable did not include one series.

NOTE V – RESTATEMENT OF FUND BALANCE

Cash, Debt Service	\$ 244,277
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Sinking Fund cash was not included in prior year.

SUPPLEMENTARY INFORMATION

BOYLE COUNTY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
 For The Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Taxes	7,335,483	7,420,400	7,917,162	496,762
Other Local Sources	49,000	60,000	382,452	322,452
State Sources	<u>13,271,780</u>	<u>13,136,854</u>	<u>14,331,627</u>	<u>1,194,773</u>
TOTAL REVENUES	20,656,263	20,617,254	22,631,241	2,013,987
EXPENDITURES				
Instruction	10,685,655	10,525,346	10,770,833	(245,487)
Support Services				
Student	1,039,597	988,967	886,589	102,378
Instructional Staff	1,986,103	1,950,325	1,727,097	223,228
District Administration	1,325,568	1,707,870	1,446,302	261,568
School Administration	1,031,513	1,112,027	1,044,868	67,159
Business	611,515	780,712	674,816	105,896
Plant Operation and Maintenance	1,362,712	1,396,829	1,363,625	33,204
Student Transportation	1,690,577	1,784,857	1,552,046	232,811
Other Instructions	1,402	1,402		1,402
Community Services	1,330,358	1,272,606	1,251,352	21,254
Contingency	<u>3,097,417</u>	<u>2,740,115</u>		<u>2,740,115</u>
TOTAL EXPENDITURES	24,162,417	24,261,056	20,717,528	3,543,528
Excess (Deficit) of Revenues Over Expenditures	(3,506,154)	(3,643,802)	1,913,713	5,557,515
OTHER FINANCING SOURCES (USES)				
Sale of Assets			3,150	3,150
Loss Compensation			87,000	87,000
Operating Transfers In			14,237	14,237
Operating Transfers Out	<u>(110,053)</u>	<u>(235,899)</u>	<u>(197,878)</u>	<u>38,021</u>
TOTAL OTHER FINANCING SOURCES (USES)	(110,053)	(235,899)	(93,491)	142,408
Excesss (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(3,616,207)	(3,879,701)	1,820,222	5,699,923
Fund Balance, July 1, 2014	<u>3,616,207</u>	<u>3,878,851</u>	<u>4,450,286</u>	<u>571,435</u>
Fund Balance, June 30, 2015	\$0	(\$850)	\$6,270,508	\$6,271,358

BOYLE COUNTY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE FOR SPECIAL REVENUE
 For The Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
State Sources	\$362,845	\$1,119,096	\$1,151,937	32,841
Federal Sources	1,158,384	1,232,967	1,183,574	(49,393)
Local Sources		<u>6,500</u>	<u>72,653</u>	<u>66,153</u>
TOTAL REVENUES	<u>1,521,229</u>	<u>2,358,563</u>	<u>2,408,164</u>	<u>49,601</u>
EXPENDITURES				
Instruction	1,119,404	1,708,454	1,859,428	(150,974)
Support Services				
Student	44,030	52,830	19,608	33,222
Instructional Staff	395,752	419,633	413,737	5,896
Community Service Operations	<u>5,000</u>	<u>226,227</u>	<u>226,228</u>	<u>(1)</u>
TOTAL EXPENDITURES	<u>1,564,186</u>	<u>2,407,144</u>	<u>2,519,001</u>	<u>(111,857)</u>
Excess (Deficit) of Revenues Over Expenditures	(42,957)	(48,581)	(110,837)	(62,256)
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	42,957	47,957	112,818	64,861
Operating Transfers Out	<u>0</u>	<u>0</u>	<u>(1,981)</u>	<u>(1,981)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>42,957</u>	<u>47,957</u>	<u>110,837</u>	<u>62,880</u>
Excesss (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	0	(624)	0	624
Restricted Fund Balance, July 1, 2014	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Restricted Fund Balance, June 30, 2015	\$0	(624)	0	624

BOYLE COUNTY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 SPECIAL REVENUE FUNDS
 As of June 30, 2015

	Special Revenue Fund	District Activity Fund	Total
ASSETS AND RESOURCES			
Cash and equivalents	\$0	\$137,285	\$137,285
Accounts receivable	<u>174,528</u>	<u>0</u>	<u>174,528</u>
TOTAL ASSETS	\$174,528	\$137,285	\$311,813
LIABILITIES			
Bank Overdraft	62,302		62,302
Accounts Payable	3,035	45	3,080
Unearned Revenue	<u>109,191</u>	<u> </u>	<u>109,191</u>
TOTAL LIABILITIES	174,528	45	174,573
FUND BALANCES			
Restricted - Other		<u>137,240</u>	<u>137,240</u>
TOTAL FUND BALANCES		137,240	137,240
TOTAL LIABILITIES AND FUND BALANCES	\$174,528	\$137,285	\$311,813

BOYLE COUNTY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 SPECIAL REVENUE FUNDS
 For The Year Ended June 30, 2015

	Special Revenue <u>Fund</u>	District Activity <u>Fund</u>	<u>Total</u>
REVENUES			
State Sources	\$1,151,937	\$	\$1,151,937
Federal Sources	1,183,574		1,183,574
Local Sources	<u>72,653</u>	<u>234,331</u>	<u>306,984</u>
TOTAL REVENUES	2,408,164	234,331	2,642,495
EXPENDITURES			
Instruction	1,859,428	193,185	2,052,613
Support Services			
Student	19,608		19,608
Instructional Staff	413,737	15,260	428,997
Community Service Operations	<u>226,228</u>	<u> </u>	<u>226,228</u>
TOTAL EXPENDITURES	2,519,001	208,445	2,727,446
Excess (Deficit) of Revenues Over Expenditures	(110,837)	25,886	(84,951)
OTHER FINANCING SOURCES (USES)			
Operating Transfers In	112,818		112,818
Operating Transfers Out	<u>(1,981)</u>		<u>(1,981)</u>
TOTAL OTHER FINANCING SOURCES (USES)	110,837		110,837
Excesss (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	0	25,886	25,886
Restricted Fund Balance, July 1, 2014	0	111,354	111,354
Restricted Fund Balance, June 30, 2015	\$0	\$137,240	\$137,240

BOYLE COUNTY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 As of June 30, 2015

	SEEK Capital Outlay Fund	Building Fund	Total
ASSETS AND RESOURCES			
Cash and equivalents	\$89,656	\$0	\$89,656
TOTAL ASSETS AND RESOURCES	\$89,656	\$0	\$89,656
FUND BALANCES			
Restricted - SFCC Escrow Prior	\$49,128	\$0	\$49,128
Restricted - SFCC Escrow Current	<u>40,528</u>	<u>0</u>	<u>40,528</u>
TOTAL FUND BALANCES	89,656	\$0	\$89,656
TOTAL LIABILITIES AND FUND BALANCES	\$89,656	\$0	\$89,656

BOYLE COUNTY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For The Year Ended June 30, 2015

	SEEK Capital Outlay Fund	Building Fund	Total
REVENUES			
Property Taxes	\$	\$557,905	\$557,905
Earnings on investments	427	1,196	1,623
Intergovernmental-State	<u>240,801</u>	<u>343,893</u>	<u>584,694</u>
TOTAL REVENUES	241,228	902,994	1,144,222
EXPENDITURES			
Debt Service			<u>0</u>
TOTAL EXPENDITURES	0	0	0
Excess (deficit) revenues over expenditures	241,228	902,994	1,144,222
OTHER FINANCING SOURCES (USES)			
Operating transfers in			0
Operating transfers out	<u>(202,054)</u>	<u>(1,025,060)</u>	<u>(1,227,114)</u>
TOTAL OTHER FINANCING SOURCES (USES)	(202,054)	(1,025,060)	(1,227,114)
Excess (deficit) revenues and other financing sources over expenditures and other financing uses	39,174	(122,066)	(82,892)
Restricted Fund Balance, July 1, 2014	<u>50,482</u>	<u>122,066</u>	<u>172,548</u>
Restricted Fund Balance, June 30, 2015	\$89,656	\$0	\$89,656

BOYLE COUNTY SCHOOL DISTRICT
 COMBINING STATEMENT OF NET POSITION
 AGENCY FUNDS
 As of June 30, 2015

	Boyle County High School	Boyle County Middle School	Junction City Elementary School	Perryville Elementary School	Woodlawn Elementary School	Other Fiscal Agent Funds	Total
ASSETS							
Cash and equivalents	\$124,647	\$30,898	\$13,077	\$65,581	\$39,188	\$0	\$273,391
Accounts receivable	<u>164</u>	<u>185</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>349</u>
TOTAL ASSETS	\$124,811	\$31,083	\$13,077	\$65,581	\$39,188	\$0	\$273,740
LIABILITIES							
Accounts payable	\$3,762	\$807	\$0	\$1,051	\$0	\$0	\$5,620
Due to student groups	<u>121,049</u>	<u>30,276</u>	<u>13,077</u>	<u>64,530</u>	<u>39,188</u>	<u>0</u>	<u>268,120</u>
TOTAL LIABILITIES	\$124,811	\$31,083	\$13,077	\$65,581	\$39,188	\$0	\$273,740

BOYLE COUNTY SCHOOL DISTRICT
 COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS, FUND BALANCE
 AGENCY FUNDS

For The Year Ended June 30, 2015

	Cash Balances		Receipts	Disbursement	Cash Balances		Accounts		Due To	Fund
	July 1, 2014	June 30, 2015			June 30, 2015	June 30, 2015	Receivable	Payable		
Boyle County High School	\$193,916	\$472,395	\$541,664	\$124,647	\$164	\$3,762	\$121,049			
Boyle County Middle School	\$37,033	\$135,308	\$141,443	\$30,898	\$185	\$807	\$30,276			
Junction City Elementary School	\$13,402	\$35,387	\$35,712	\$13,077			\$13,077			
Perryville Elementary School	\$56,403	\$70,331	\$61,153	\$65,581		1,051	\$64,530			
Woodlawn Elementary	<u>\$50,813</u>	<u>\$86,442</u>	<u>\$98,067</u>	<u>\$39,188</u>	<u>0</u>	<u>0</u>	<u>\$39,188</u>			
TOTAL ACTIVITY FUNDS	\$351,567	\$799,863	\$878,039	\$273,391	\$349	\$5,620	\$268,120			\$0
Fiscal Agent Funds	\$89,002	\$79,280	\$168,282	\$0						\$0
Totals	\$440,569	\$879,143	\$1,046,321	\$273,391	\$349	\$5,620	\$268,120			\$0

BOYLE COUNTY BOARD OF EDUCATION
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS
 BOYLE COUNTY HIGH SCHOOL
 For The Year Ended June 30, 2015

	Cash Balances Beginning	Receipts	Disbursements	Transfers	Cash Balances Ending	Accounts Receivable Ending	Accounts Payable Ending	Due To Student Groups Ending
Administrative Exp.	\$1,137	\$0	\$0	2,717	\$3,854	\$0	\$0	\$3,854
Parking Permits	3,480	92	913	(2,567)	0	0	0	0
ACT Test	0	0	0	0	92	0	0	92
Activity Fee	43,101	7,500	7,747	(35,854)	7,000	0	0	7,000
General	7,844	1,351	1,316	5	7,884	0	245	7,639
Vending	4,502	3,294	851	0	6,945	0	0	7,046
Guidance Office	5,909	16,198	15,662	95	6,540	101	0	6,540
Bass Fishing Team	0	7,688	5,260	320	2,748	0	0	2,748
Project Graduation	1,120	16,234	15,260	(431)	1,663	0	246	1,417
Athletics	22,702	148,737	154,789	(5,135)	11,515	0	2,758	8,757
Windscreen Donations	0	7,000	12,000	5,000	0	0	0	0
Athletic Trainer	2,386	2,296	2,287	0	2,395	0	0	2,395
Baseball	1,276	1,827	1,775	0	1,328	0	0	1,328
Basketball-Boys	894	2,936	1,040	0	2,790	0	0	2,790
Basketball-Girls	1,086	1,034	413	0	1,707	0	0	1,707
Cheerleaders	535	0	400	0	135	0	135	0
Cross Country	879	3,051	1,901	0	2,029	0	0	2,029
Volleyball	171	100	88	0	183	0	0	183
Boys Golf	710	250	0	0	960	0	0	960
Girls Golf	906	923	1,652	0	177	0	0	177
Boys Soccer	4,316	2,360	1,838	0	4,838	0	0	4,838
Girls Soccer	455	3,515	3,655	0	315	0	0	315
Softball	0	600	500	0	100	0	0	100
Softball-CAC	907	0	0	0	907	0	0	907
Swim Team	0	3,858	3,858	0	0	0	0	0
Tennis	0	546	388	0	158	0	0	158
A.D. Discretionary	2,600	0	0	0	2,600	0	0	2,600
Art Club	252	2,360	1,949	0	663	0	0	663
National Honor Society	158	1,110	1,166	(35)	67	0	0	67
FBLA	217	0	0	0	217	0	0	217
DECA	1,281	4,772	3,805	0	2,248	0	0	2,248
STLP	49	130	168	0	11	0	0	11
F.C.A.	368	1,205	375	0	1,198	0	0	1,198
TSA	1,099	5,260	4,132	275	2,502	0	0	2,502
FFA Dues	75	0	0	(75)	0	0	0	0
FCCLA	0	35,806	35,141	(50)	615	0	0	615
HOSA	0	4,092	3,317	0	775	0	0	775
Drama Club	370	1,245	934	0	681	0	0	681
Forensics	1,008	0	0	0	1,008	0	0	1,008

BOYLE COUNTY BOARD OF EDUCATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS
BOYLE COUNTY HIGH SCHOOL
For The Year Ended June 30, 2015

	Cash Balances Beginning	Receipts	Disbursements	Transfers	Cash Balances Ending	Accounts Receivable Ending	Accounts Payable Ending	Due To Student Groups Ending
Pep Club	29	964	760	(85)	148			148
Book Club	13	90	56		47			47
Spanish Club	26	334	203	0	157			157
Change of Heart Y Club	101		34		67			67
Rebel Zone	601	12,371	12,850		122			122
FMD Class Project	7,355	7,070	5,569	(320)	8,536		62	8,474
Ag Mech	258	511	260		509			509
Inkspot	716	5,515	6,719	700	212			212
Academic Team	326				326			326
Horticulture	0	250	60		190			190
Language Arts	15,511	13,994	21,656	(700)	7,149			7,149
Foreign Language	335	200	245		290			290
Library	465	1,763	1,003	245	1,470			1,470
Math	11				11			11
Music	139	1,222	1,322		39			39
Science	315	1,304	908		711			711
Environmental Club	25	65		(20)	70			70
Class of 2015	599	15,503	15,078	809	1,833			1,833
Class of 2014	1,153	171		(982)	0			0
Class of 2016	767	9,941	5,988	(185)	4,535		177	4,358
Mass Media	3,740	5,148	2,409	244	6,723			6,723
Chess Club	130				130			130
Gibson's Classroom	484	1,400	1,883		1			1
Textbook Rental	25,082		25,082		0			0
Credit Recovery	12,936		39	(12,897)	0			0
Wrestling	271				271			271
Aqua Culture	350	360	643		67			67
School Play	944	375	485		834			834
Rebel Textiles	5,631	5,571	7,434	280	4,048		91	3,957
Nutgrass Teach	77				77			77
Ping Pong	6				6			6
Quilting Club	30				30			30
PND Bank	6				6			6
Web Journalism	7	62			69			69
Needlepoint	150			(150)	0			0
Yoga	50				50			50
Teacher Fund	1,231	4,260	3,325		2,166	63	48	2,181

BOYLE COUNTY BOARD OF EDUCATION
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS
 BOYLE COUNTY HIGH SCHOOL
 For The Year Ended June 30, 2015

	Cash Balances Beginning	Receipts	Disbursements	Transfers	Cash Balances Ending	Accounts Receivable Ending	Accounts Payable Ending	Due To Student Groups Ending
Magic Club	125				125			125
Gibson Teach	227				227			227
Boyled Perfection	260	3,255	2,663		852			852
E Rebel Zone	4				4			4
FFA	1,238	35,453	33,293	(205)	3,193			3,193
International Studies	398				398			398
Fees	<u>0</u>	<u>58,044</u>	<u>106,946</u>	<u>49,001</u>	<u>99</u>			<u>99</u>
Total	\$193,916	\$472,395	\$541,664	\$0	\$124,647	\$164	\$3,762	\$121,049

BOYLE COUNTY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Year Ended June 30, 2015

Federal Grantor/Passed-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass Through Grantor's Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed through Kentucky Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	7750002 14	\$90,442
National School Lunch Program	10.555	7750002 15	447,699
School Breakfast Program	10.553	7760005 14	38,875
School Breakfast Program	10.553	7760005 15	138,491
Summer Food Service Program for Children	10.559	7690024 14	3,248
Summer Food Service Program for Children	10.559	7740023 14	31,340
Commodities	10.555	510 4950	<u>84,691</u>
Total Child Nutrition Cluster			834,786
Passed through National FFA Organization			
Rural Youth Development Grant	10.500	2011-45201-31094	<u>6,500</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			841,286
<u>U.S. Department of Education</u>			
Passed through Kentucky Department of Education			
Improving America's School Act of 1994			
Title I, Part A			
Title I Grants to Local Educational Agencies	84.010	3100002 14	<u>462,056</u>
		subtotal	462,056
Special Education Cluster (IDEA)			
Special Education-Grants to States (IDEA, Part B)	84.027	3810002 14	587,092
Special Education-Grants to States (IDEA, Part B)	84.027	3810002 12	118
Special Education-Preschool Grants (IDEA, Preschool)	84.173	3800002 14	<u>26,797</u>
		subtotal	614,007
Race to the Top	84.413A	3960002 11	3,206
Career and Technical Education - Basic Grants To States	84.048	3710002 13	779
Career and Technical Education - Basic Grants To States	84.048	3710002 14	<u>19,721</u>
		subtotal	20,500
Improving Teacher Quality State Grants	84.367	3230002 13	22,499
Improving Teacher Quality State Grants	84.367	3230002 14	<u>99,553</u>
		subtotal	122,052
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>1,221,821</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$2,063,107

The accompanying notes are an integral part of this schedule

BOYLE COUNTY SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2015

Note 1 – Basis of Presentation

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

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement. 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 3 – Food Distribution

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities disbursed, totaling \$84,691.

BOYLE COUNTY SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 For The Year Ended June 30, 2015

	2015
District's proportion of the net pension liability (asset)	
KTRS	\$0
CERS	<u>\$3,877,000</u>
Total	<u>\$3,877,000</u>
District's proportionate share of the net pension liability (asset)	
KTRS	0
CERS	0.119503%
State's proportionate share of the net pension liability (asset) associated with the District	
KTRS	\$76,313,459
District's covered employee payroll	
KTRS	\$12,221,235
CERS	\$2,771,746
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	
KTRS	0
CERS	139.88%

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

BOYLE COUNTY SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT PENSION CONTRIBUTIONS
 For The Year Ended June 30, 2015

	2015	2014
Contractually required contributions		
KTRS	\$261,545	\$224,884
CERS	<u>\$519,429</u>	<u>\$461,748</u>
Total	\$780,974	\$686,632
Contributions in relation to the contractually required contribution		
KTRS	\$261,545	\$224,884
CERS	<u>\$519,429</u>	<u>\$461,748</u>
Total	\$780,974	\$686,632
Contribution deficiency (excess)		
KTRS	\$0	\$0
CERS	<u>\$0</u>	<u>\$0</u>
Total	\$0	\$0
District's covered employee payroll		
KTRS	\$12,221,235	\$11,628,199
CERS	<u>\$2,771,746</u>	<u>\$2,860,163</u>
Total	\$14,992,981	\$14,488,362
Contributions as a percentage of covered employee payroll		
KTRS	15.49%	11.49%
CERS	16.47%	22.85%

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

BOYLE COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For The Year Ended June 30, 2015

Changes of benefit terms

KTRS - none

CERS - none

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 KTRS Board adopted an interest smoothing methodology to calculate liabilities for purposes of determining the actuarially determined contributions.

CERS - none

**DENISE M. KEENE
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P.O. BOX 1444
GEORGETOWN, KENTUCKY 40324
502-857-2579**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE
FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(for a Governmental Entity)**

**(No Material Weaknesses Identified, No Significant Deficiencies Identified, and
No Reportable Instances of Noncompliance, or Other Matters Identified)**

Independent Auditor's Report

State Committee For School District Audits
Members of the Board of Education
Boyle County School District
Danville, Kentucky

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the provisions of Office of Management and Budget Circular A-133, Audits of States and Local Governments, and Non-profit Organizations, and the audit requirement prescribed by the Kentucky Committee for School District Audits, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Boyle County Board of Education as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated November 9, 2015.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District'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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

I noted certain matters that I reported to management of the District in a separate letter dated November 9, 2015.

Denise M. Keene

Denise M. Keene, CPA
Georgetown, Kentucky
November 9, 2015

**DENISE M. KEENE
CERTIFIED PUBLIC ACCOUNTANT
P.O. BOX 1444
GEORGETOWN, KENTUCKY 40324
502-857-2579**

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133
(Unmodified Opinion on Compliance for each Major Program; No Material Weaknesses or
Significant Deficiencies in Internal Control Over Compliance Identified)

INDEPENDENT AUDITOR'S REPORT

State Committee For School District Audits
Members of the Board of Education
Boyle County School District
Danville, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Boyle County School District's (the "District") compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. The District's major federal programs are identified in the summary of 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 the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the 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 the Boyle 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 program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of Boyle County School District as of and for the year ended June 30, 2015, and have issued our report thereon dated, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Denise M. Keene

Denise M. Keene, CPA
Georgetown, Kentucky
November 9, 2015

BOYLE COUNTY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For The Year Ended June 30, 2015

Section I – Summary of Auditor’s Results

Financial Statements

An unmodified opinion was issued on the financial statements.

Internal control over financial reporting

Material weakness(es) identified? yes no

Significant deficiency(s) identified that are not
 considered to be material weakness(es)? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes no

Significant deficiency(s) identified that are not
 Considered to be material weakness(es)? yes none reported

An unmodified opinion was issued on compliance for all major programs.

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

Identification of major programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.173	Special Education Cluster (IDEA)
84.367	Improving Teacher Quality State Grants

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? yes no

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

BOYLE COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For The Year Ended June 30, 2015

PRIOR YEAR – FINANCIAL STATEMENT FINDINGS

There were no prior year findings

PRIOR YEAR – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no prior year findings

MANAGEMENT LETTER

**DENISE M. KEENE
CERTIFIED PUBLIC ACCOUNTANT
P.O. BOX 1444
GEORGETOWN, KENTUCKY 40324
502-857-2579**

Boyle County Board of Education
Danville, Kentucky

We have audited the financial statements of the Boyle County School District for the year ended June 30, 2015 and have issued our report thereon dated November 9, 2015. As part of our audit, we made a study and evaluation of the District's system of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the District's financial statements. Our study and evaluation was more limited than would be necessary for expressing an opinion on the system of internal accounting control taken as a whole.

The management of the Boyle County School District is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors, or irregularities may nevertheless occur and not be detected. Also, projections of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system of internal accounting control. Accordingly, we do not express an opinion on the system of internal accounting control of the Boyle County School District taken as a whole. Our study and evaluation disclosed no condition that we believe to be a material weakness.

There were no prior year management points.

Denise M. Keene

Denise M. Keene, CPA
Georgetown, Kentucky
November 9, 2015

CURRENT YEAR MANAGEMENT POINTS

2015-001

According to the budget bill, the District is required to notify the public of the availability of the school report card, by publishing a notice in the newspaper. The District did not do this for the 2014-2015 fiscal year.

Management's response:

This was a new requirement that our district was not aware of. It will be published with the annual financial report notification next year.

2015-002

Testing disclosed that several credit card payments were paid from the statement, with no original invoice attached. Management should require the original invoice to be turned in before paying the bill.

Management's response:

One of the invoices was from black and gold. The original was lost and a standard invoice was done. We have corrected this by requiring all receipts and not allowing a standard invoice to take the place of a receipt. The other 4 had parts of receipts but not all of them for the bill paid. We have trained AP to only enter invoices and not pay off statements. Users of the credit card were not supplying all receipts. AP will not pay without all receipts. All receipts from the above transactions have now been received. We have these back checked as well. Both employees have been trained to only enter receipts.

2015-003

Testing disclosed that one travel reimbursement for the assistant superintendent was not approved by anyone. All travel reimbursements should be approved by a supervisor prior to payment.

Management's response:

One travel invoice was paid after a training in Atlanta in which he paid for accommodations. It was entered by AP without sending for approvals. This situation has been addressed and all payments will be reviewed for appropriate documentation and approvals.

2015-004

The standard invoice form should be updated to include a date for the person to sign and a date for the approval signature.

Management's response::

This form will be updated and disseminated to school personnel.

2015-005

The payroll bank account is reconciled by the Director of Payroll and Benefits. The reconciliation should be reviewed by someone. Both individuals should sign and date the form. The main bank reconciliation is signed by the superintendent. It should also be signed and dated by the preparer.

Management's response:

The payroll reconciliation is reviewed by the finance officer. I have all reconciliations from payroll as well as the overall reconciliations. The Finance Director and Payroll Director will sign and date the reconciliations in the future.

BOYLE COUNTY HIGH SCHOOL

2015-006

According to the Red Book, "The purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated." Twenty-two (22) out of twenty-seven (27) expenditures tested had purchase order that were not dated. Because of this, I was unable to determine if expenditures had been approved prior to purchases. Four (4) out of twenty-seven (27) did not have the principal's approval. The principal should remind all staff that purchase orders must be approved prior to obligating the school.

Management's Response:

Emailed staff that no purchase orders will be paid if item is ordered prior to approval.

2015-007

According to the Red Book, the vendor invoice or standard invoice must be present before the payment process can continue. Two (2) out of twenty-seven (27) expenditures tested did not have an invoice attached. The principal should remind all staff to turn in vendor invoices.

Management's Response:

Emailed staff that invoices are required for payment.

2015-008

Teachers are not turning money into the School Treasurer timely. Testing disclosed money was being held by teachers and not turned in daily as required by the Red Book. I recommend the Principal remind all staff to turn in money daily.

Management's Response:

Emailed staff to turn in money collected daily.

2015-009

According to the Red Book, "Students third grade and above must sign the Multiple Receipt Form." Testing disclosed that some teachers were not having their students sign the Multiple Receipt Form. The Principal should remind teachers/sponsors who are receiving money to have the students sign the Multiple Receipt Form.

Management's Response:

Reminded teachers that students are to sign multiple receipt form, not the teacher.

2015-010

According to the Red Book, "amounts may be transferred between activity accounts only by proper completion of a Transfer Form. The sponsor of the remitting (paying) activity account and the principal shall sign the Transfer Form." One (1) out of twenty-nine (29) forms did not have a sponsor signature, but should have. There was seven (7) transfer forms not found. One form had 2 transfers on it, each transfer should have its own form. Five (5) transfers were put on purchase order forms instead of transfer forms. I recommend sponsor signatures be obtained before money is transferred when required.

Management's Response:

Instructed bookkeeper to ensure this happens.

2015-011

The thirteen (13) out of fifteen (15) booster clubs did not turn in all required documentation during the year. I recommend the Principal monitor booster clubs to make sure they comply with all Red Book requirements.

Management's Response:

Proper documentation has been requested.

2015-012

Ticket Sale Forms are not being completed correctly. The forms are not being signed by the person in charge, the ticket taker, or the treasurer. The currency section and total sales section is not always completed. The school treasurer should check the form for completion before accepting the form.

Management's Response:

Informed bookkeeper to ensure this happens.

2015-013

In March the boy's basketball team participated in the sweet 16 tournament. Presale ticket sales were not handled properly. The tickets were given to the booster club to sale. No ticket sale form was completed. The amount collected for the tournament totaled \$15,983.00 but the tickets cost \$17,656.00. In the future the school needs to control the ticket sales and complete the ticket sale form.

Management's Response:

If we are fortunate enough to have this opportunity again, we will handle internally, instead of the booster club. The discrepancy was due to us purchasing the band tickets for each game.

BOYLE COUNTY MIDDLE SCHOOL

2015-014

According to the Red Book, "The purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated." Two (2) out of fifteen (15) expenditures tested had purchase order dates after the invoice date. There were two (2) purchase orders that were not dated. Ten (10) out of fifteen (15) did not have the sponsor's approval. The principal should remind all staff that purchase orders must be approved prior to obligating the school.

Management's Response:

We have developed a new purchase request form with signature lines and dates for sponsor and principal approval. In the future, we will emphasize this point with coaches and teachers.

2015-015

Teachers are not turning money into the School Treasurer timely. Testing disclosed money was being held by teachers and not turned in daily as required by the Red Book. I recommend the Principal remind all staff to turn in money daily.

Management's Response:

I have again reminded staff of this expectation.

2015-016

According to the Red Book, "Students third grade and above must sign the Multiple Receipt Form." Testing disclosed that some teachers were not having their students sign the Multiple Receipt Form. The Principal should remind teachers/sponsors who are receiving money to have the students sign the Multiple Receipt Form.

Management's Response:

Again, I have reminded staff and coaches of this expectation.

2015-017

According to the Red Book, "amounts may be transferred between activity accounts only by proper completion of a Transfer Form. The sponsor of the remitting (paying) activity account and the principal shall sign the Transfer Form." Seven (7) out of seventeen (17) forms did not have a sponsor signature, but should have. I recommend sponsor signatures be obtained before money is transferred when required.

Management's Response:

This is the result of closing several old/outdated accounts where sponsors no longer work for the district or account is no longer needed. On all closed accounts, money was moved to the most appropriate account.

2015-018

Ticket Sale Forms are not being completed correctly. Of the three forms tested, two (2) did not have the person in charge signature at the bottom of the form. One of the forms did not complete the total sales correctly. There was not a second person as the ticket taker. The school treasurer should check the form for completion before accepting the form.

Management's Response:

The "Person in Charge of Sales" was not signing on the correct line. We have corrected this issue with gate workers.

JUNCTION CITY ELEMENTARY SCHOOL

2015-019

Teachers are not turning money into the School Treasurer timely. Testing disclosed money was being held by teachers and not turned in daily as required by the Red Book. I recommend the Principal remind all staff to turn in money daily.

Management's Response:

I will speak to the teachers and remind them to turn in money on a daily basis. The bookkeeper also told them.

2015-020

According to the Red Book, Booster organizations are to submit a budget, annual financial report, officers, proof of insurance and their federal identification number to the principal. The PTO did not submit proof of insurance to the principal. The principal should monitor all booster organizations for compliance with the Red Book.

Management's Response:

My bookkeeper and I have spoken with the PTA President and board members. We have their proof of insurance. We will remind them to submit the information in summer for the next school year.

PERRYVILLE ELEMENTARY SCHOOL

2015-021

According to the Red Book, "Students third grade and above must sign the Multiple Receipt Form." Testing disclosed that some teachers were not having their students sign the Multiple Receipt Form. The Principal should remind teachers/sponsors who are receiving money to have the students sign the Multiple Receipt Form.

Management's Response:

This red book issue is an agenda point for our December 17th, PLC. I meet with the PTO President on November 4, 2015 to inform/remind her of the Red Book regulation.

WOODLAWN ELEMENTARY SCHOOL

2015-022

According to the Red Book, "Students third grade and above must sign the Multiple Receipt Form." Testing disclosed that some teachers were not having their students sign the Multiple Receipt Form. The Principal should remind teachers/sponsors who are receiving money to have the students sign the Multiple Receipt Form.

Management's Response:

After the audit, I reminded 3rd-5th grade teachers at the Staff meeting (Sept. 1st) that they are responsible for having their students sign the multiple-receipt form when they are collecting money for field trips, etc. I will also include a statement on the Weekly Memo to remind teachers of this expectation.

2015-023

According to the Red Book, "amounts may be transferred between activity accounts only by proper completion of a Transfer Form. The sponsor of the remitting (paying) activity account and the principal shall sign the Transfer Form." There was one (1) transfer forms not found. I recommend sponsor signatures be obtained before money is transferred when required.

Management's Response:

After the audit, the bookkeeper and I discussed the incident and I reminded her of the policy/expectation and to have the correct signatures on all transfers.