

**FLOYD COUNTY
SCHOOL DISTRICT**

**AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES**

For the year ended June 30, 2015

Prepared by:

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Floyd County School District (District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Change in Accounting Principle

As described in Note P to the financial statements, in 2015, the District adopted new accounting guidance, *GASB Statement No. 68, Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the district's proportionate share of the net pension liability, and schedule of contributions information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

White & Associates P.C.

Richmond, Kentucky
November 13, 2015

**FLOYD COUNTY SCHOOL DISTRICT-PRESTONSBURG, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

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

FINANCIAL HIGHLIGHTS

- Finished the year with a General Fund balance in excess of \$6 million.
- Provided \$150,000 to schools to assist with school trips and other needs.
- Provided 2% Cost-of-living increase to all fulltime staff.
- Started the construction of a \$50 million consolidated high school and sports complex funded by revenue bonds and local funds.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

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

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated

**FLOYD COUNTY SCHOOL DISTRICT-PRESTONSBURG, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED June 30, 2015**

uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our vending and food service operations. All other activities of the district are included in the governmental funds.

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. To find the notes to the financial statements please refer to the table of contents.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, the net position was \$39,684,444 as of June 30, 2015.

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

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

Net Position for the period ending June 30, 2015

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

SEE SCHEDULE ON NEXT PAGE

**FLOYD COUNTY SCHOOL DISTRICT-PRESTONSBURG, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED June 30, 2015**

Net Position (in Millions)

	Governmental		Business-type		Total		Total Percentage Change 2014-2015
	Activities		Activities		School District		
	2014	2015	2014	2015	2014	2015	
Assets:							
Current and Other Assets	8.99	56.71	1.78	1.97	10.77	58.68	445%
Capital Assets	<u>63.04</u>	<u>67.18</u>	<u>0.92</u>	<u>0.87</u>	<u>63.96</u>	<u>68.05</u>	6%
Total Assets	<u>72.02</u>	<u>123.89</u>	<u>2.70</u>	<u>2.84</u>	<u>74.72</u>	<u>126.73</u>	70%
Deferred Outflows	<u>1.25</u>	<u>2.88</u>	<u>0.00</u>	<u>0.05</u>	<u>1.25</u>	<u>2.93</u>	134%
Liabilities:							
Current Liabilities	5.17	4.52	0.07	0.07	5.24	4.59	-13%
Noncurrent Liabilities	<u>21.75</u>	<u>83.58</u>		<u>0.46</u>	<u>21.75</u>	<u>84.04</u>	286%
Total Liabilities	<u>26.92</u>	<u>88.10</u>	<u>0.07</u>	<u>0.53</u>	<u>26.99</u>	<u>88.62</u>	228%
Deferred Inflows	<u>0.00</u>	<u>1.29</u>	<u>0.00</u>	<u>0.05</u>	<u>0.00</u>	<u>1.34</u>	100%
Net Position:							
Invested in Capital Assets							
Net of Debt	40.89	-6.12	0.92	0.87	41.81	-5.25	-113%
Restricted	2.48	49.48	0.10	1.43	2.58	50.91	1873%
Deficit		-5.98				-5.98	100%
Unrestricted Net Position	<u>2.98</u>	<u>0.00</u>	<u>1.62</u>		<u>4.60</u>	<u>0.00</u>	-100%
Total Net Position	<u>46.35</u>	<u>37.38</u>	<u>2.64</u>	<u>2.30</u>	<u>48.99</u>	<u>39.68</u>	-19%

**FLOYD COUNTY SCHOOL DISTRICT-PRESTONSBURG, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED June 30, 2015**

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2014-2015
	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	
Revenues:							
Charges for services	\$ 0.11	\$ 0.13	\$ 0.50	\$ 0.44	\$ 0.61	\$ 0.56	-8%
Operating grants and contributions	11.77	24.33	5.07	5.22	16.84	29.55	75%
Capital grants and contributions	1.52	3.41			1.52	3.41	124%
General revenues	47.11	39.45	0.01	0.01	47.12	39.46	-17%
Total revenue	60.52	67.31	5.57	5.67	66.09	72.98	11%
Expenses:							
Instruction	33.68	38.47			33.68	38.47	14%
Student	1.33	1.31			1.33	1.31	-2%
Instructional staff	3.35	3.21			3.35	3.21	-4%
District administration	1.09	1.21			1.09	1.21	11%
School administration	4.20	4.29			4.20	4.29	2%
Business	1.01	1.03			1.01	1.03	2%
Plant operation & maintenance	6.77	6.51			6.77	6.51	-4%
Student transportation	4.23	4.26			4.23	4.26	1%
Land Improvements	0.02	-			0.02	-	0%
Facilities acquisition and construction		-			-	-	100%
Community services operations	0.94	1.00	0.15	0.14	1.09	1.14	4%
Amortization	0.17	0.20			0.17	0.20	19%
Depreciation	3.01	2.85	0.06	0.05	3.07	2.91	-5%
Interest on long-term debt	0.63	0.44			0.63	0.44	-30%
Food Service Operations			4.85	5.13	4.85	5.13	6%
Transfers			0.22	.23	0.22	.23	5%
Total Expenses	\$ 60.44	\$ 64.78	\$ 5.27	\$ 5.55	\$ 65.71	\$ 70.33	7%
Change in net position	\$ 0.08	\$ 2.53	\$ 0.30	\$ 0.12	\$ 0.39	\$ 2.65	-694%

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

SEE SCHEDULE ON NEXT PAGE

**FLOYD COUNTY SCHOOL DISTRICT-PRESTONSBURG, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED June 30, 2015**

Capital Assets at Year-End
(Net of depreciation)

	Governmental Activities		Business Type Activities		Totals	
	2014	2015	2014	2015	2014	2015
Land	2,574,369	4,797,250	-	-	2,574,369	4,797,250
Land and Improvements	1,604,121	1,508,024	-	-	1,604,121	1,508,024
Buildings & Improvements	53,295,582	51,915,373	757,182	725,161	54,052,764	51,915,373
Technology Equipment	783,087	873,415	(48)	(807)	783,039	873,415
Vehicles	1,257,475	974,799	-	-	1,257,475	974,799
General Equipment	607,059	600,779	165,601	144,093	772,660	600,779
Infrastructure	2,853,943	2,537,861			2,853,943	2,537,861
Construction In Progress	104,983	3,975,105	-	-	104,983	3,975,105

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

Outstanding Debt at Year-End
(in Millions)

	Government Activities	
	2014	2015
Capital Lease Obligations	\$ 1.56	\$ 1.32
General Obligation Bonds	21.84	71.99
KSBIT	<u>-</u>	<u>1.02</u>
Total Obligations	<u>\$ 23.40</u>	<u>\$ 74.32</u>

**FLOYD COUNTY SCHOOL DISTRICT-PRESTONSBURG, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED June 30, 2015**

REVENUE	Fund	Fund	Fund	Fund	Fund	Fund	Fund
	1	2	310	320	360	400	51
Local Revenue Sources	10,643,882	99,473	641	2,073,101	2,009		327,235
State Revenue Sources	36,533,400	1,949,440	547,136	1,268,671		1,591,735	431,877
Federal Revenue Sources	355,314	7,487,706					4,767,648
Other	1,926				52,595,000	8,539,248	
Transfers	1,550,763	131,314			1,064,597		
TOTALS	49,085,285	9,667,933	547,777	3,341,772	53,661,606	10,130,983	5,526,760
EXPENDITURES	Fund	Fund	Fund	Fund	Fund	Fund	Fund
	1	2	310	320	360	400	51
Instruction	28,244,418	6,658,941					
Student Support Services	1,314,158	38,831					
Instructional Staff Support Services	1,274,751	1,962,102					
District Admin Support	1,232,457	20,000					
School Admin Support	4,273,007						
Business Support Services	1,025,336						
Plant Operation & Management	6,563,461						
Student Transportation	4,214,282						
Food Service Operations							5,121,296
Community Services		988,059					
Debt Service	279,281					10,130,983	
Building Aquisitions and Construction					6,093,003		
Transfers	131,314		549,603	3,567,893			232,649
TOTALS	48,552,466	9,667,933	549,603	3,567,893	6,093,003	10,130,983	5,353,945
Excess / (Deficit)	532,819	-	(1,826)	(226,121)	47,568,602	-	172,814

BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district's overall budget. By law the budget must have a minimum 2.0% contingency in the Tentative Final Working budget. While it is not mandatory in the Final Working budget, the Kentucky Department of Education places district's with less than a 2% reserve on a financial watch list. The district maintained a budgeted contingency of \$2,036,972 or 4.34% based on the Kentucky Department of Education's formula for calculating contingency. The beginning fund balance for beginning the fiscal year 2014 was \$5,921,310.

**FLOYD COUNTY SCHOOL DISTRICT-PRESTONSBURG, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED June 30, 2015**

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

Floyd County School District
Statement of Net Position
June 30, 2015

	Primary Government		
	Governmental Activities	Business- type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,605,468	\$ 1,881,903	\$ 5,487,372
Receivables (net)	53,108,101	11,557	53,119,658
Inventories		75,699	75,699
Capital assets:			
Land, improvements, and construction in progress	8,772,355		8,772,355
Other capital assets, net of depreciation	58,410,252	868,447	59,278,699
Total capital assets	<u>67,182,608</u>	<u>868,447</u>	<u>68,051,054</u>
Total assets	<u>123,896,177</u>	<u>2,837,606</u>	<u>126,733,783</u>
DEFERRED OUTFLOWS OF RESOURCES			
District pension contributions subsequent to the measurement date	1,459,488	46,400	1,505,888
Deferred savings from refunding bonds	1,418,279		1,418,279
Total deferred outflows of resources	<u>2,877,767</u>	<u>46,400</u>	<u>2,924,167</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>126,773,944</u>	<u>2,884,006</u>	<u>129,657,950</u>
LIABILITIES			
Accounts payable and accrued expenses	290,048	72,172	362,220
Accrued interest payable	87,694		87,694
Workers compensation payable	946,039		946,039
Unearned revenue	554,407		554,407
Long-term liabilities:			
Due within 1 year:			
Bond obligations	2,370,000		2,370,000
Capital lease obligations	224,908		224,908
KSBIT payable	42,425		42,425
Total due within 1 year	<u>2,637,333</u>	<u>-</u>	<u>2,637,333</u>
Due in more than 1 year:			
Bond obligations	69,615,000		69,615,000
Capital lease obligations	1,094,474		1,094,474
KSBIT payable	975,585		975,585
Net pension liability	11,556,197	458,803	12,015,000
Sick leave	344,753		344,753
Total due in more than 1 year	<u>83,586,009</u>	<u>458,803</u>	<u>84,044,812</u>
Total liabilities	<u>88,101,531</u>	<u>530,975</u>	<u>88,632,506</u>
DEFERRED INFLOWS OF RESOURCES			
Net difference between projected and actual earnings on pension plan investments	1,289,793	51,207	1,341,000
NET POSITION			
Net Investment in capital assets	(6,121,774)	868,447	(5,253,328)
Restricted for:			
Capital projects	49,146,665		49,146,665
Other purposes	339,008		339,008
Child Care		85,602	85,602
Food Services		1,347,776	1,347,776
Deficit	(5,981,278)		(5,981,278)
Total net position	<u>37,382,620</u>	<u>2,301,824</u>	<u>39,684,444</u>
TOTAL LIABILITIES DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 126,773,944</u>	<u>\$ 2,884,006</u>	<u>\$ 129,657,950</u>

See the accompanying notes to the financial statements.

Floyd County School District
Statement of Activities
Year Ended June 30, 2015

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT:							
Governmental activities:							
Instruction	\$ 38,470,678	\$	\$ 15,758,559	\$ -	\$ (22,712,118)		\$ (22,712,118)
Support Services							
Student	1,309,099	124,819	491,518		(692,762)		(692,762)
Instructional Staff	3,205,074		1,203,386		(2,001,689)		(2,001,689)
District Administration	1,212,401		455,211		(757,190)		(757,190)
School Administration	4,291,916		1,611,454		(2,680,462)		(2,680,462)
Business	1,029,409		386,505		(642,905)		(642,905)
Plant Operation & Maintenance	6,512,782		2,445,306	1,815,807	(2,251,668)		(2,251,668)
Student Transportation	4,256,823		1,598,278		(2,658,545)		(2,658,545)
Community Services Operations	1,000,029		375,474		(624,556)		(624,556)
Food service	-	1,584			1,584		1,584
Loss on retirement of assets	121				(121)		(121)
Amortization	202,623				(202,623)		(202,623)
Depreciation	2,854,345				(2,854,345)		(2,854,345)
Interest on general long-term debt	443,272			1,591,735	1,148,462		1,148,462
Total governmental activities	<u>64,788,573</u>	<u>126,403</u>	<u>24,325,691</u>	<u>3,407,542</u>	<u>(36,928,937)</u>		<u>(36,928,937)</u>
Business-type activities:							
Food service operations	5,126,765	319,456	5,199,525			\$ 392,215	392,215
Community operation	137,617	116,158	24,717			3,257	3,257
Depreciation	54,287					(54,287)	(54,287)
Total business-type activities	<u>5,318,670</u>	<u>435,613</u>	<u>5,224,242</u>	<u>-</u>	<u>-</u>	<u>341,186</u>	<u>341,186</u>
Total primary government	\$ <u>70,107,243</u>	\$ <u>562,016</u>	\$ <u>29,549,934</u>	\$ <u>3,407,542</u>	<u>(36,928,937)</u>	<u>341,186</u>	<u>(36,587,751)</u>
General revenues:							
Taxes:							
Property taxes					7,237,524		7,237,524
Unmined minerals taxes					1,552,178		1,552,178
Motor vehicle taxes					1,513,086		1,513,086
Franchise taxes					2,310,881		2,310,881
State and formula grants					26,404,685		26,404,685
Unrestricted investment earnings					35,990	7,699	43,689
Sale of equipment					1,926		1,926
Other local					165,417	6,505	171,922
Transfers					232,649	(232,649)	-
Total general revenues and transfers					<u>39,454,336</u>	<u>(218,445)</u>	<u>39,235,890</u>
Change in net position					2,525,399	122,740	2,648,139
Net position - beginning					46,351,602	2,636,938	48,988,540
Prior period adjustment 1					(11,532,275)	(457,854)	(11,990,129)
Prior period adjustment 2					37,894		37,894
Restated net position - beginning					<u>34,857,221</u>	<u>2,179,084</u>	<u>37,036,305</u>
Net position - ending					<u>\$ 37,382,620</u>	<u>\$ 2,301,824</u>	<u>\$ 39,684,444</u>

See the accompanying notes to the financial statements.

Floyd County School District
Balance Sheet
Governmental Funds
June 30, 2015

Governmental Funds

	<u>General</u>	<u>Special Revenue</u>	<u>Construction</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS						
Cash and cash equivalents	\$ 6,706,316	\$ -	\$ -	\$ -	\$ 864,951	\$ 7,571,268
Receivables, net						
Taxes-current	114,888					114,888
Taxes-delinquent	46,926					46,926
Accounts	16,611		51,317,513			51,334,124
Intergovernmental-state		13,092				13,092
Intergovernmental-federal	11,887	1,587,184				1,599,071
Total assets	<u>6,896,629</u>	<u>1,600,276</u>	<u>51,317,513</u>	<u>-</u>	<u>864,951</u>	<u>60,679,369</u>
LIABILITIES						
Accounts payable	201,497	87,567			985	290,049
Cash shortage		958,302	3,007,497			3,965,800
Unearned revenue		554,407				554,407
Total liabilities	<u>201,497</u>	<u>1,600,276</u>	<u>3,007,497</u>	<u>-</u>	<u>985</u>	<u>4,810,255</u>
FUND BALANCE						
Restricted			48,310,016		836,649	49,146,665
Committed					14,975	14,975
Assigned	311,690				12,342	324,033
Unassigned	6,383,441					6,383,441
Total fund balance	<u>6,695,131</u>	<u>-</u>	<u>48,310,016</u>	<u>-</u>	<u>863,967</u>	<u>55,869,114</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 6,896,629</u>	<u>\$ 1,600,276</u>	<u>\$ 51,317,513</u>	<u>\$ -</u>	<u>\$ 864,951</u>	<u>\$ 60,679,369</u>

See the accompanying notes to the financial statements.

Floyd County School District
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position
June 30, 2015

Fund balances-total governmental funds	\$	55,869,114
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.</p>		67,182,608
<p>Accounts receivable from delinquent property taxes are not recorded in the fund financial statements because they are not available for use (received within 60 days). These receivables are accrued on the statement of net position because they have been earned and are measurable</p>		
<p>Costs associated with bond issues and refundings are expensed in the fund financial statements because they are a use of current financial resources but are capitalized on the statement of net position using the economic resources focus</p>		1,418,279
<p>Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, accrued interest payable, other accounts payable, and net pension obligations) are not due and payable in the current period and, therefore, are not reported in the funds</p>		
Accrued interest payable		(87,694)
Bonds payable		(73,304,382)
KSBIT payable		(1,018,010)
Sick leave liability		(344,753)
Workers compensation liability		(946,039)
Net pension liability		(11,556,197)
District activity		0
<p>Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds</p>		
Deferred outflows of resources related to employer 2015 contributions to pensions		1,459,488
Deferred inflows of resources related to pensions		(1,289,793)
Net position of governmental activities	\$	<u><u>37,382,620</u></u>

See the accompanying notes to the financial statements.

Floyd County School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2015

	<u>General</u>	<u>Special Revenue</u>	<u>Construction Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
From Local Sources						
Taxes						
Property	\$ 4,607,448	\$ -	\$ -	\$ -	\$ 2,068,176	\$ 6,675,624
Delinquent	561,900					561,900
Motor vehicle	1,513,086					1,513,086
Unmined mineral	1,552,178					1,552,178
Franchise tax	2,310,881					2,310,881
Earnings on investments	30,049	316	59		5,566	35,990
Student Activities		2,445			122,373	124,819
Food service	1,584					1,584
Other local revenue	66,756	96,711	1,950			165,417
Intergovernmental - state	36,533,400	1,949,440		1,591,735	1,815,807	41,890,383
Intergovernmental - federal	355,314	7,487,706				7,843,020
Total revenues	<u>47,532,596</u>	<u>9,536,619</u>	<u>2,009</u>	<u>1,591,735</u>	<u>4,011,922</u>	<u>62,674,881</u>
EXPENDITURES						
Instruction	28,244,418	6,658,941			45,609	34,948,969
Support Services						
Student	1,314,158	38,831				1,352,989
Instructional Staff	1,274,751	1,962,102				3,236,853
District Administration	1,232,457	20,000				1,252,457
School Administration	4,273,007					4,273,007
Business	1,025,336					1,025,336
Plant Operation & Maintenance	6,563,461				49,033	6,612,494
Student Transportation	4,214,282				415	4,214,696
Community Services Operations		988,059				988,059
Debt Service	279,281			10,130,983		10,410,264
Building acquisition & construction			6,093,003			6,093,003
Total expenditures	<u>48,421,152</u>	<u>9,667,933</u>	<u>6,093,003</u>	<u>10,130,983</u>	<u>95,056</u>	<u>74,408,128</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(888,556)	(131,314)	(6,090,995)	(8,539,248)	3,916,866	(11,733,246)
OTHER FINANCING SOURCES (USES)						
Bond principal proceeds			52,595,000	6,804,463		59,399,463
Sale of equipment, buildings and land & improvements	1,926					1,926
Operating transfers in	1,550,763	131,314	1,064,597	1,734,785		4,481,459
Operating transfers (out)	(131,314)				(4,117,496)	(4,248,810)
Total other financing sources and (uses)	<u>1,421,375</u>	<u>131,314</u>	<u>53,659,597</u>	<u>8,539,248</u>	<u>(4,117,496)</u>	<u>59,634,037</u>
NET CHANGE IN FUND BALANCE	532,819	-	47,568,602	-	(200,630)	47,900,791
FUND BALANCE-BEGINNING	<u>6,162,312</u>	<u>-</u>	<u>741,414</u>	<u>-</u>	<u>1,064,597</u>	<u>7,968,323</u>
FUND BALANCE-ENDING	<u>\$ 6,695,131</u>	<u>\$ -</u>	<u>\$ 48,310,016</u>	<u>\$ -</u>	<u>\$ 863,967</u>	<u>\$ 55,869,114</u>

See the accompanying notes to the financial statements.

Floyd County School District
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
 Funds to the Statement of Activities**
 Year ended June 30, 2015

Net change in fund balances-total governmental funds	\$	47,900,791
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.</p>		
District pension contributions less costs of benefits earned net employee contributions		145,773
<p>Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.</p>		
		4,146,988
<p>Accounts receivable from delinquent property taxes are not recorded in the fund financial statements because they are not available for use (received within 60 days). These receivables are accrued on the statement of net position because they have been earned and are measurable.</p>		
<p>The difference in the issue amount of the refunding of bond proceeds and the amount for payment to the escrow account to pay the refunded bonds is amortized over the life of the refunding issue.</p>		
		164,851
<p>Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.</p>		
		(49,905,481)
<p>Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.</p>		
Accrued interest payable		105,536
District activity		0
Workers compensation liability		85,237
Noncurrent sick leave payable		(118,297)
		(118,297)
Change in net position of governmental activities	\$	2,525,399

See the accompanying notes to the financial statements.

Floyd County School District
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
From Local Sources				
Taxes				
Property	\$ 5,121,500	\$ 4,971,202	\$ 4,607,448	\$ (363,754)
Delinquent	490,000	490,000	561,900	71,900
Motor vehicle	1,490,000	1,490,000	1,513,086	23,086
Unmined minerals	1,400,000	1,400,000	1,552,178	152,178
Franchise tax	1,500,000	1,500,000	2,310,881	810,881
Earnings on investments	40,000	40,000	30,049	(9,951)
Food service		1,000	1,584	584
Other local revenue	20,000	31,000	66,756	35,756
Intergovernmental - state	35,720,905	35,349,676	36,533,400	1,183,724
Intergovernmental - federal	315,000	315,000	355,314	40,314
Total revenues	<u>46,097,405</u>	<u>45,587,878</u>	<u>47,532,596</u>	<u>1,944,718</u>
EXPENDITURES				
Instruction	27,983,052	28,091,917	28,244,418	(152,502)
Support Services				
Student	1,385,024	1,390,068	1,314,158	75,909
Instructional Staff	1,285,133	1,213,301	1,274,751	(61,450)
District Administration	1,624,239	1,636,245	1,232,457	403,788
School Administration	4,362,533	4,396,580	4,273,007	123,573
Business	1,000,708	1,010,894	1,025,336	(14,443)
Plant Operation & Maintenance	7,074,887	7,159,380	6,563,461	595,918
Student Transportation	4,645,483	4,711,689	4,214,282	497,407
Debt Service	279,282	279,282	279,281	1
Total expenditures	<u>49,640,341</u>	<u>49,889,355</u>	<u>48,421,152</u>	<u>1,468,203</u>
EXCESS (DEFICIENCY) IN REVENUES OVER EXPENDITURES	(3,542,936)	(4,301,477)	(888,556)	3,412,922
OTHER FINANCING SOURCES (USES)				
Sale of equipment		343	1,926	1,583
Operating transfers in	767,136	767,136	1,550,763	783,627
Operating transfers out	(88,000)	(93,014)	(131,314)	(38,300)
Total other financing sources and (uses)	<u>679,136</u>	<u>674,465</u>	<u>1,421,375</u>	<u>746,910</u>
NET CHANGE IN FUND BALANCE	(2,863,800)	(3,627,012)	532,819	4,159,831
FUND BALANCE BEGINNING	<u>4,453,041</u>	<u>6,162,312</u>	<u>6,162,312</u>	<u>-</u>
FUND BALANCE-ENDING	<u>\$ 1,589,241</u>	<u>\$ 2,535,300</u>	<u>\$ 6,695,131</u>	<u>\$ 4,159,831</u>

See the accompanying notes to the financial statements.

FloydCounty School District
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Special Revenue Fund
Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
From Local Sources				
Earnings on investments	\$ -	\$ 85	\$ 316	\$ 231
Student activities			2,445	2,445
Other local revenue	2,595	35,163	96,711	61,549
Intergovernmental - state	1,835,663	1,885,544	1,949,440	63,896
Intergovernmental - federal	5,908,112	7,330,761	7,487,706	156,945
Total revenues	<u>7,746,370</u>	<u>9,251,553</u>	<u>9,536,619</u>	<u>285,066</u>
EXPENDITURES				
Instruction	5,279,577	6,529,314	6,658,941	(129,628)
Support Services				
Student	34,386	34,386	38,831	(4,445)
Instructional Staff	1,676,190	1,769,882	1,962,102	(192,220)
District Administration	20,000	20,000	20,000	-
Plant Operations and Maintenance	104,879	104,879	-	104,879
Community Services Operations	719,339	1,004,343	988,059	16,284
Total expenditures	<u>7,834,370</u>	<u>9,462,803</u>	<u>9,667,933</u>	<u>(205,130)</u>
EXCESS (DEFICIENCY) IN REVENUES OVER EXPENDITURES	(88,000)	(211,250)	(131,314)	79,936
OTHER FINANCING SOURCES (USES)				
Operating transfers in	88,000	131,314	131,314	-
Total other financing sources and (uses)	<u>88,000</u>	<u>131,314</u>	<u>131,314</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	(79,936)	-	79,936
FUND BALANCE-BEGINNING	-	-	-	-
FUND BALANCE-ENDING	<u>\$ -</u>	<u>\$ (79,936)</u>	<u>\$ -</u>	<u>\$ 79,936</u>

See the accompanying notes to the financial statements.

Floyd County School District
Statement of Fund Net Position
Proprietary Funds
June 30, 2015

	Enterprise Funds		
	School Food Services	Other Proprietary Fund	Total
ASSETS			
Cash and cash equivalents	\$ 1,772,844	\$ 109,060	\$ 1,881,903
Inventories	75,699		75,699
Accounts receivable, net	11,507	50	11,557
Capital assets:			
Other capital assets, net of depreciation	868,447		868,447
Total assets	<u>2,728,496</u>	<u>109,110</u>	<u>2,837,606</u>
DEFERRED OUTFLOWS OF RESOURCES			
District pension contributions subsequent to the measurement date	44,080	2,320	46,400
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>2,772,576</u>	<u>111,430</u>	<u>2,884,006</u>
LIABILITIES			
Accounts payable	71,844	328	72,172
Net pension liability	435,863	22,940	458,803
Total current/liabilities	<u>507,707</u>	<u>23,268</u>	<u>530,975</u>
DEFERRED INFLOWS OF RESOURCES			
Net difference between projected and actual earnings on pension plan investments	48,647	2,560	51,207
NET POSITION			
Net Investment in capital assets	868,447	-	868,447
Restricted for:			
Expendable restricted for child care		85,602	85,602
Expendable restricted for food service	1,347,776		1,347,776
Total net position	<u>2,216,222</u>	<u>85,602</u>	<u>2,301,824</u>
TOTAL LIABILITIES DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 2,772,576</u>	<u>\$ 111,430</u>	<u>\$ 2,884,006</u>

See the accompanying notes to the financial statements.

Floyd County School District
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2015

	Enterprise Funds		
	School Food Services	Other Proprietary Fund	Total
OPERATING REVENUES			
Lunchroom sales	\$ 319,456	\$ -	\$ 319,456
Community services		116,158	116,158
Other local revenue	80	6,425	6,505
Total operating revenues	<u>319,536</u>	<u>122,582</u>	<u>442,118</u>
OPERATING EXPENSES			
Food service operations			
Salaries and benefits	1,582,074		1,582,074
Operational	3,544,691		3,544,691
Day care operations			
Salaries and benefits		99,045	99,045
Operational		38,572	38,572
Depreciation	54,287		54,287
Total operating expenses	<u>5,181,052</u>	<u>137,617</u>	<u>5,318,670</u>
Operating income (loss)	<u>(4,861,517)</u>	<u>(15,035)</u>	<u>(4,876,552)</u>
NONOPERATING REVENUES (EXPENSES)			
Federal grants	4,767,648		4,767,648
State grants	431,877	24,717	456,594
Transfers in (out)	(232,649)		(232,649)
Earnings from investments	7,699		7,699
Total nonoperating revenues (expenses)	<u>4,974,575</u>	<u>24,717</u>	<u>4,999,292</u>
CHANGE IN NET POSITION	113,058	9,682	122,740
NET POSITION-BEGINNING	2,538,125	98,813	2,636,938
PRIOR PERIOD ADJUSTMENT	(434,961)	(22,893)	(457,854)
RESTATED NET POSITION-BEGINNING	<u>2,103,164</u>	<u>75,920</u>	<u>2,179,084</u>
NET POSITION-ENDING	<u>\$ 2,216,222</u>	<u>\$ 85,602</u>	<u>\$ 2,301,824</u>

See the accompanying notes to the financial statements.

Floyd County School District
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2015

	Enterprise Funds		
	School Food Services	Child Care Services	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 319,536	\$ 122,582	\$ 442,118
Payments to suppliers	(3,518,323)	(38,335)	(3,556,658)
Payments to employees	(1,582,074)	(99,045)	(1,681,120)
Net cash provided (used) by operating activities	<u>(4,780,861)</u>	<u>(14,798)</u>	<u>(4,795,659)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating grants and contributions	5,199,525	24,717	5,224,242
Net cash provided (used) by noncapital financing activities	<u>5,199,525</u>	<u>24,717</u>	<u>5,224,242</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets			-
Transfers	(232,649)		(232,649)
Net cash provided (used) by capital and related financing activities	<u>(232,649)</u>	<u>-</u>	<u>(232,649)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest	7,699	-	7,699
Net cash provided (used) by investing activities	<u>7,699</u>	<u>-</u>	<u>7,699</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	193,713	9,919	203,633
CASH AND CASH EQUIVALENTS-BEGINNING	1,579,130	99,140	1,678,271
CASH AND CASH EQUIVALENTS-ENDING	<u>\$ 1,772,844</u>	<u>\$ 109,060</u>	<u>\$ 1,881,903</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (4,861,517)	\$ (15,035)	\$ (4,876,552)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	54,287		54,287
Changes in assets and liabilities:			
Receivables	16,373	(50)	16,323
Inventories	(1,088)		(1,088)
Net pension liability	5,469	287	5,756
Accrued liabilities	5,614		5,614
Net cash provided provided (used) by operating activities	<u>\$ (4,780,861)</u>	<u>\$ (14,798)</u>	<u>\$ (4,795,659)</u>

NONCASH NONCAPITAL FINANCING ACTIVITIES

During the year, the district received \$255,224 of food commodities from the U.S. Department of Agriculture.

During the year, the district recognized revenues and expenses for on-behalf payments relating to fringe benefits in the amount of \$392,089 for food services and \$24,717 for day care services provided by state government.

See the accompanying notes to the financial statements.

Floyd County School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

		Fiduciary Fund Total
		<hr/>
ASSETS		
Cash and cash equivalents	\$	386,057
Accounts receivable		3,925
		<hr/>
TOTAL ASSETS		389,982
		<hr/> <hr/>
LIABILITIES		
Accounts payable		4,897
Due to student groups		385,085
		<hr/>
TOTAL LIABILITIES		389,982
		<hr/>
NET POSITION HELD IN TRUST		-
		<hr/>
TOTAL LIABILITIES AND NET POSITION HELD IN TRUST	\$	389,982
		<hr/> <hr/>

See the accompanying notes to the financial statements.

FLOYD COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

The District, for financial purposes, includes all of the funds relevant to the operation of the Floyd County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the District itself such as Band Boosters, Parent-Teacher Associations, etc.

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

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Blended Component Unit

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

Basis of Presentation

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

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

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

The District has the following funds:

I. Governmental Fund Types

(A) General Fund

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

(B) Special Revenue (Grant) Fund

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(C) Special Revenue (District Activity) Fund

The Special Revenue (District Activity) Fund is a district activity fund at the school level. It includes activities such as picture sales, yearbook sales, student fees and donations.

(D) Capital Project Funds

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

SEEK Capital Outlay Fund

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

Building (FSPK) Fund

The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy that is required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.

Construction Fund

The Construction Fund accounts for proceeds from sale of bonds and other revenues to be used for authorized construction and/or remodeling. This is a major fund of the District.

(E) Debt Service Fund

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

II. Proprietary Funds (Enterprise Funds)

(A) Food Service Fund

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

(B) Day Care Fund

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The District applies all GASB pronouncements to proprietary funds.

III. Fiduciary Fund Types

(A) Agency Funds

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

Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end. Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Property Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. The property tax rates assessed (including exonerations) for the year ended June 30, 2015, to finance the General Fund operations were \$.596 per \$100 valuation of real property, \$.596 per \$100 valuation for business personal property and \$.554 per \$100 valuation for motor vehicles.

Capital Assets

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

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

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Other	10 years

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Interfund Balances

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

Budgetary Process

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

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

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end. The Special Revenue Fund spent \$205,130 over budgeted appropriations.

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

Cash and Cash Equivalents

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

Inventories

On government-wide financial statements, including the proprietary fund, inventories are stated at cost, on the first-in, first-out basis, using the accrual method of accounting.

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

Prepaid Assets

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Accrued Liabilities and Long-Term Obligations

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

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

Fund Balances

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

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

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

Net Position

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

position when an expense is incurred for which both restricted and unrestricted net position are available.

Operating and Non-Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools.

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

Contributions of Capital

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

Interfund Activity

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System Non-Hazardous ("CERS") and Teachers Retirement System of the State of Kentucky ("KTRS") and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the pensions. 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.

Estimates

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

New Accounting Pronouncements

Effective July 1, 2014, the District was required to adopt Governmental Accounting Standards Board (GASB) Statement no. 68, "Accounting and Financial Reporting for Pensions" (GASB 68). GASB 68 replaced the requirements of GASB 27, "Accounting for Pensions by State and Local Governmental Employers" and GASB 50, "Pension Disclosures", as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability to more comprehensively and comparably measure the annual costs of pension benefits. Cost-sharing governmental employers, such as the District, are required to report a net pension liability, pension expense and pension-related assets and liabilities based on their proportionate share of the collective amounts for all governments in the plan.

NOTE B – CASH AND CASH EQUIVALENTS

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

	<u>Bank Balance</u>
FDIC	\$ 250,000
Securities pledged to district	<u>10,810,543</u>
Bank balance	<u><u>\$ 11,060,543</u></u>
	<u>Book Balance</u>
	<u>Cash and cash equivalents</u>
Governmental Activities	\$ 3,605,468
Business-type Activities Fiduciary Fund	1,881,903
School Activity	<u>386,057</u>
Total carrying amount	<u><u>\$ 5,873,428</u></u>

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE C – CAPITAL ASSETS

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

	<u>July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2015</u>
Land	\$ 2,574,369	\$ 2,222,881	\$ -	\$ 4,797,250
Land improvements	1,927,458	-	-	1,927,458
Buildings	86,004,219	-	-	86,004,219
Technology equipment	9,203,294	793,552	211,366	9,785,481
Vehicles	7,776,643	-	-	7,776,643
General equipment	3,112,272	114,899	45,765	3,181,406
Infrastructure	6,789,261	-	-	6,789,261
Construction in progress	<u>104,983</u>	<u>6,093,003</u>	<u>2,222,881</u>	<u>3,975,105</u>
	<u>\$ 117,492,500</u>	<u>\$ 9,224,336</u>	<u>\$ 2,480,012</u>	<u>\$ 124,236,824</u>
Land improvements	\$ 323,337	\$ 96,097	\$ -	\$ 419,434
Buildings	32,708,638	1,380,209	-	34,088,847
Technology equipment	8,465,207	658,103	211,244	8,912,065
Vehicles	6,519,168	282,676	-	6,801,844
General equipment	2,505,212	121,180	45,765	2,580,627
Infrastructure	<u>3,935,319</u>	<u>316,082</u>	<u>-</u>	<u>4,251,400</u>
	<u>\$ 54,456,881</u>	<u>\$ 2,854,345</u>	<u>\$ 257,009</u>	<u>\$ 57,054,217</u>
Capital Assets-net	<u>\$ 63,035,619</u>	<u>\$ 6,369,991</u>	<u>\$ 2,223,003</u>	<u>\$ 67,182,608</u>
	<u>July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2015</u>
Buildings	\$ 1,592,932	\$ -	\$ -	\$ 1,592,931.85
Technology equipment	43,115	-	418	42,697
General equipment	<u>1,597,891</u>	<u>-</u>	<u>-</u>	<u>1,597,891</u>
	<u>\$ 3,233,938</u>	<u>\$ -</u>	<u>\$ 418</u>	<u>\$ 3,233,520</u>
Vehicles	\$ 835,750	\$ 32,021	\$ -	\$ 867,771
Technology equipment	43,163	759	418	43,504
General equipment	<u>1,432,290</u>	<u>21,507</u>	<u>-</u>	<u>1,453,798</u>
	<u>\$ 2,311,204</u>	<u>\$ 54,287</u>	<u>\$ 418</u>	<u>\$ 2,365,073</u>
Capital Assets-net	<u>\$ 922,734</u>	<u>\$ (54,287)</u>	<u>\$ -</u>	<u>\$ 868,447</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

NOTE D – BONDED DEBT OBLIGATIONS

The amount shown in the accompanying financial statements as bonded debt obligations represent the District’s future obligations to make payments relating to the bonds issued by the Floyd County School District Finance Corporation aggregating \$71,985,000 and \$2,370,000 is the portion due within one year.

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

The original amount of outstanding issues, the issue dates, interest rates, and outstanding balances, at June 30, 2015 are summarized below:

<u>Bond Issue</u>	<u>Original Amount</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>2014 Outstanding Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>2015 Outstanding Balance</u>
2002R	\$ 3,150,000	3/1/2015	1.45% - 4.10%	\$ 55,000	\$ -	\$ 55,000	\$ -
2015	52,595,000	8/1/2035	2.0 - 4.0%		52,595,000		52,595,000
2014R	6,685,000	3/1/2026	2.0 - 3.0%		6,685,000	70,000	6,615,000
2004R	4,400,000	5/1/2015	2.0 - 3.5%	430,000		430,000	-
2004B	2,485,000	6/1/2025	2.55 - 4.4%	245,000		120,000	125,000
2005	3,610,000	4/1/2026	3.25 - 4.375%	280,000		125,000	155,000
2005R A	3,710,000	5/1/2016	2.5 - 4.0%	810,000		400,000	410,000
2005R B	3,075,000	4/1/2017	3.125 - 4.0%	975,000		310,000	665,000
2006	10,540,000	3/1/2024	3.85 - 4.125%	7,375,000		6,865,000	510,000
2008	2,115,000	4/1/2028	2.8 - 3.75%	1,765,000		100,000	1,665,000
2010R	5,320,000	4/1/2022	2.0 - 3.0%	3,860,000		480,000	3,380,000
2012R	2,870,000	12/1/2024	1.35 -2.625%	2,785,000		125,000	2,660,000
2013R	\$ 3,315,000	10/1/2025	1.0 - 2.0%	3,260,000		55,000	3,205,000
Totals				\$ 21,840,000	\$ 59,280,000	\$ 9,135,000	\$ 71,985,000

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

<u>YEAR</u>	<u>LOCAL</u>		<u>KSFCC</u>		<u>PRINCIPAL TOTAL</u>	<u>INTEREST TOTAL</u>
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>		
2016	\$ 1,298,042	\$ 1,007,353	\$ 1,071,958	\$ 326,628	\$ 2,370,000	\$ 1,333,981
2017	2,267,016	1,745,466	1,197,984	383,565	3,465,000	2,129,031
2018	2,314,288	1,687,374	1,115,712	354,757	3,430,000	2,042,131
2019	2,356,896	1,626,831	1,143,104	327,366	3,500,000	1,954,196
2020	2,403,406	1,564,202	1,171,594	298,876	3,575,000	1,863,078
2021-2025	12,906,755	6,787,096	4,813,245	1,076,583	17,720,000	7,863,679
2026-2030	13,885,220	4,799,783	2,219,780	525,155	16,105,000	5,324,938
2031-2035	16,183,034	2,260,212	1,716,966	221,350	17,900,000	2,481,563
2036	3,627,228	72,545	292,772	5,855	3,920,000	78,400
	<u>\$ 57,241,885</u>	<u>\$ 21,550,861</u>	<u>\$ 14,743,115</u>	<u>\$ 3,520,135</u>	<u>\$ 71,985,000</u>	<u>\$ 25,070,996</u>

NOTE E – OTHER LONG TERM OBLIGATIONS

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. The activity during fiscal year 2015 for accumulated sick leave is as follows:

	<u>2014 Outstanding</u>			<u>2015 Outstanding</u>	
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>	
Sick Leave	\$ 226,456	\$ 118,297	\$ -	\$ 344,753	
Totals	<u>\$ 226,456</u>	<u>\$ 118,297</u>	<u>\$ -</u>	<u>\$ 344,753</u>	

The District elected to finance the worker’s compensation insurance deficit (KSBIT) with the now defunct Kentucky School Board Insurance Trust through the Kentucky Inter-local School Transportation Association (KISTA). The activity during fiscal year 2015 for the worker’s compensation and property and liability deficit are as follows:

<u>KISTA Issues</u>	<u>Original Amount</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>2014 KISTA</u>			<u>2015 KISTA</u>
				<u>Outstanding</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding</u>
KSBIT	\$ 1,018,010	8/15/2029	2.0 - 4.0%	\$ -	\$ 1,018,010	\$ -	\$ 1,018,010

The minimum payments are as follows:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

<u>Year Ended</u> <u>June 30th</u>	<u>Local</u> <u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Payments</u>
2016	\$ 42,425	\$ 45,450	\$ 87,875
2017	56,282	\$ 30,844	87,126
2018	60,397	29,677	90,074
2019	58,871	28,441	87,312
2020	61,674	27,145	88,819
2021-2025	331,634	108,027	439,661
2026-2030	406,727	41,967	448,694
	<u>\$ 1,018,010</u>	<u>\$ 311,552</u>	<u>\$ 1,329,562</u>

NOTE F– RETIREMENT PLANS

The District’s employees are provided with two pension plans, based on each position’s college degree requirement. The County Employees Retirement System covers employees whose position does not require a college degree or teaching certification. The Kentucky Teachers Retirement System covers positions requiring teaching certification or otherwise requiring a college degree.

General information about the County Employees Retirement System Non-Hazardous (“CERS”)

Plan description—Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute (“KRS”) Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

Benefits provided—CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years’ service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old
		At least 25 years service and any age

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Tier 2	Participation date Unreduced retirement	September 1, 2008 – December 31, 2013 At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87 At least 10 years service and 60 years old
Tier 3	Participation date Unreduced retirement Reduced retirement	After December 31, 2013 At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87 Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

Contributions—Required contributions by the employee are based on the tier:

		<u>Required contribution</u>
Tier	1	5%
Tier	2	5% + 1% for insurance
Tier	3	5% + 1% for insurance

General information about the Teachers' Retirement System of the State of Kentucky ("KTRS")

Plan description—Teaching certified employees of the District and other employees whose positions require at least a college degree are provided pensions through the Teachers' Retirement System of the State of Kentucky (KTRS)—a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. KTRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. KTRS issues a publicly available financial report that can be obtained at http://www.ktrs.ky.gov/05_publications/index.htm.

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

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

Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees 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 employees (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 employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees 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. Employees 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 employees 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 employees and \$5,000 for retired or disabled employees.

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 employees are required to contribute 12.105% of their salaries to the System. University employees are required to contribute 9.895% of their salaries. KRS 161.580 allows each university to reduce the contribution of its employees by 2.215%; therefore, university employees contribute 7.68% of their salary to KTRS.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions at the rate of 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. For local school district and regional cooperative employees whose salaries are federally funded, the employer contributes 15.355% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

Medical Insurance Plan

Plan description—In addition to the pension benefits described above, KRS 161.675 requires KTRS to provide post-employment healthcare benefits to eligible employees and dependents. The KTRS Medical Insurance Fund 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 employees under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired employees and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Funding policy—In order to fund the post-retirement healthcare benefit, six percent (6%) of the gross annual payroll of employees before July 1, 2008 is contributed. Three percent (3%) is paid by member contributions and three quarters percent (.75%) from Commonwealth appropriation and two and one quarter percent (2.25%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

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

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District’s proportionate share of the net pension liability for KTRS because the Commonwealth of Kentucky provides the pension support directly to KTRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of CERS net pension liability	\$	12,015,000
Commonwealth's proportionate share of the KTRS net pension liability associated with the district		<u>173,155,856</u>
	\$	<u><u>185,170,856</u></u>

The net pension liability for each plan 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 for CERS 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, 2015, the District’s proportion was .370326% (percent).

For the year ended June 30, 2015, the District recognized pension expense of \$1,365,871 related to CERS and \$14,791,751 related to KTRS. The District also recognized revenue of \$14,791,751 for KTRS support provided by the Commonwealth. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	1,341,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
District contributions subsequent to the measurement date	1,505,888	-
	\$ 1,505,888	\$ 1,341,000

\$1,505,888 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

	Year Ended June 30,
2016	\$ 301,178
2017	301,178
2018	301,178
2019	301,178
2020	301,178
	\$ 1,505,888

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:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	CERS	KTRS
Inflation	3.50%	3.50%
Projected salary increases	4.50%	4.0-8.2%
Investment rate of return, net of investment expense & inflation	7.75%	7.50%

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

For KTRS, 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.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. 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.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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	100.0%	

Discount rate—For CERS, 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 employees 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 investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

For KTRS, the discount rate used to measure the total pension liability was 5.23%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan employees until the 2036 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2035 and a municipal bond index rate of 4.35% was applied to all periods of projected benefit payments after 2035. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

Sensitivity of CERS and KTRS proportionate share of net pension liability to changes in the discount rate—The following table presents the net pension liability of the District, calculated using the discount rates selected by each pension system, as well as what the District’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	1% Decrease	Current Discount Rate	1% Increase
CERS	6.75%	7.75%	8.75%
District's proportionate share of net pension liability	10,464,466	12,015,000	13,565,048
KTRS	4.23%	5.23%	6.23%
District's proportionate share of net pension liability	-	-	-

Pension plan fiduciary net position—Detailed information about the pension plan’s fiduciary net position is available in the separately issued financial reports of both CERS and KTRS.

NOTE G – COMMITMENTS

The District has commitments of \$47,632,214 as of June 30, 2015 for future construction projects. The District Activity Fund has \$14,975 committed for district activities.

NOTE H - CONTINGENCIES

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

NOTE I - LITIGATION

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

NOTE J – INSURANCE AND RELATED ACTIVITIES

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

NOTE K – RISK MANAGEMENT

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

NOTE L – DEFICIT FUND AND OPERATING BALANCES

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

<u>Fund</u>	<u>Reduction in Fund Balance / Net Position</u>
FSPK	\$ (226,121)
Capital Outlay	\$ (1,826)

NOTE M - COBRA

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

NOTE N – TRANSFER OF FUNDS

The following transfers were made during the year:

<u>Type</u>	<u>From</u>	<u>To</u>	<u>Purpose</u>	<u>Amount</u>
Operating	General Fund	Special Revenue Fund	KETS offer	\$ 131,314
Operating	FSPK Fund	General Fund	Operating expenditures	1,318,114
Debt Service	FSPK Fund	Debt Service Fund	Debt payments	1,187,649
Operating	Capital Outlay Fund	Debt Service Fund	Debt payments	547,136
Operating	Capital Outlay Fund	Construction Fund	Construction	2,467.06
Operating	FSPK Fund	Construction Fund	Construction	1,062,130
Operating	Food Service	General Fund	Indirect costs	\$ 232,649

NOTE O – ON-BEHALF PAYMENTS

For fiscal year 2015, the Commonwealth of Kentucky contributed estimated payments on behalf of the District as follows:

SEE SCHEDULE ON NEXT PAGE

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

<u>Plan/Description</u>	<u>Amount</u>
Kentucky Teachers Retirement System (GASB 68 Schedule A)	\$ 4,080,473
Health Insurance	6,610,593
Life Insurance	12,112
Administrative Fee	83,061
HRA/Dental/Vision	339,938
Federal Reimbursement	(831,264)
Technology	92,322
SFCC Debt Service Payments	<u>1,591,735</u>
Total	<u>\$ 11,978,969</u>

These amounts are included in the financial statements as state revenue and an expense allocated to the different functions in the same proportion as full-time employees.

NOTE P – CHANGE IN ACCOUNTING PRINCIPLE AND RELATED CHANGES TO CERTAIN BEGINNING BALANCES

GASB 68 required retrospective application. Since the District only presents one year of financial information, the beginning net pension was adjusted to reflect the retrospective application. The adjustment resulted in a \$11,990,129 reduction in beginning net position on the Statement of Activities and an increase of \$1,604,871 of deferred outflows of resources – District contributions subsequent to the measurement date.

NOTE Q – RESTRICTED FUND BALANCES

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
Construction	\$ 48,310,016	Future Construction
Capital Outlay	641	SFCC Requirements
FSPK	836,008	SFCC Requirements
Day Care	85,602	Day Care Operations
Food Service	\$ 1,347,776	Food Service Operations

NOTE R – CAPITAL LEASE PAYABLE

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

<u>KISTA Issue</u>	<u>Original Amount</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>2014 Outstanding Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>2015 Outstanding Balance</u>
2009	\$ 3,150,000	3/1/2023	2.00%	\$ 982,936	\$ -	\$ 122,965	\$ 859,971
2013	\$ 1,153,207	3/1/2019	2.0 - 3.9%	575,965		116,554	459,411
				<u>\$ 1,558,901</u>	<u>\$ -</u>	<u>\$ 239,519</u>	<u>\$ 1,319,382</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2016	\$ 224,908	\$ 33,690	\$ 258,598
2017	230,695	27,632	258,327
2018	214,787	21,161	235,948
2019	221,356	15,065	236,421
2020	113,566	8,553	122,119
2021-2023	314,070	12,234	326,304
	<u>\$ 1,319,382</u>	<u>\$ 118,335</u>	<u>\$ 1,437,717</u>

Total minimum lease payments	\$ 1,437,717
Less: Amount representing interest	(118,335)
 Present Value of Net Minimum Lease Payments	 \$ 1,319,382

NOTE S – PRIOR PERIOD ADJUSTMENT

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	Total
Net Position July 1, 2014	\$ 46,351,602	\$ 2,636,938	\$ 48,988,540
Understated Net Pension Liability (GASB 68) - Prior Period Adjustment 1 - See Note P	(11,532,275)	(457,854)	(11,990,129)
Overstatement of KSBIT Liability - Prior Period Adjustment 2	37,894		37,894
Restated Net Position July 1, 2014	<u>\$ 34,857,221</u>	<u>\$ 2,179,084</u>	<u>\$ 37,036,305</u>

NOTE T– SUBSEQUENT EVENTS

The District has evaluated subsequent events through November 13, 2015, the date the financial statements were available to be issued.

FLOYD COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

	Reporting Fiscal Year (Measurement Date) 2015 (2014)
COUNTY EMPLOYEE'S RETIREMENT SYSTEM:	
Districts' proportion of the net pension liability	0.37%
District's proportionate share of the net pension liability	\$ 12,015,000
State's proportionate share of the net pension liability associated with the District	-
Total	\$ 12,015,000
District's covered-employee payroll	\$ 8,504,395
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	141.28%
Plan fiduciary net position as a percentage of the total pension liability	66.80%
KENTUCKY TEACHER'S RETIREMENT SYSTEM:	
Districts' proportion of the net pension liability	0.843%
District's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the District	173,155,856
Total	\$ 173,155,856
District's covered-employee payroll	\$ -
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.000%
Plan fiduciary net position as a percentage of the total pension liability	45.59%

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

See the accompanying notes to the required supplementary information.

FLOYD COUNTY SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS

	2015	2014
COUNTY EMPLOYEE'S RETIREMENT SYSTEM:		
Contractually required contribution	\$ 1,505,888	\$ 1,606,376
Contributions in relation to the contractually required contribution	1,505,888	\$ 1,606,376
Contribution deficiency (excess)	-	-
District's covered-employee payroll	\$ 8,486,022	\$ 8,504,395
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	17.75%	18.89%
KENTUCKY TEACHER'S RETIREMENT SYSTEM:		
Contractually required contribution	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-
Contribution deficiency (excess)	-	-
District's covered-employee payroll	\$ -	\$ -
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	0.00%	0.00%

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

See the accompanying notes to the required supplementary information.

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

Changes of benefit terms – None

Changes of assumptions - None

Floyd County School District
Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2015

	Other Governmental Funds			
	Capital Outlay	FSPK Fund	District Activity	Total
Assets				
Cash and Cash Equivalents	\$ 641	\$ 836,008	\$ 28,302	\$ 864,951
Total Assets	641	836,008	28,302	864,951
Liabilities				
Accounts Payable	_____	_____	985	985
Total Liabilities	-	-	985	985
Fund Balance				
Restricted	641	836,008		836,649
Committed			14,975	14,975
Assigned	_____	_____	12,342	12,342
Total Fund Balance	641	836,008	27,317	863,967
TOTAL LIABILITIES AND FUND BALANCE	\$ 641	\$ 836,008	\$ 28,302	\$ 864,951

See the accompanying notes to the financial statements.

Floyd County School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
Year ended June 30, 2015

	Other Governmental Funds			
	Capital Outlay	FSPK Fund	District Activity	Total
Revenues				
Property taxes	\$ -	\$ 2,068,176	\$ -	\$ 2,068,176
Earnings on Investments	641	4,925		5,566
Student activities			122,373	122,373
Intergovernmental - State	547,136	1,268,671		1,815,807
Total Revenues	547,777	3,341,772	122,373	4,011,922
Expenditures				
Instruction			45,609	45,609
Plant operations & maintenance			49,033	49,033
Student transportation			415	415
Total Expenditures	-	-	95,056	95,056
Excess (Deficit) of Revenues Over Expenditures	547,777	3,341,772	27,317	3,916,866
Other Financing Sources (Uses)				
Transfers Out	(549,603)	(3,567,893)		(4,117,496)
Total Other Financing Sources (Uses)	(549,603)	(3,567,893)	-	(4,117,496)
Net Change in Fund Balances	(1,826)	(226,121)	27,317	(200,630)
Fund Balance Beginning	2,467	1,062,130	-	1,064,597
Fund Balance Ending	\$ 641	\$ 836,008	\$ 27,317	\$ 863,967

See the accompanying notes to the financial statements.

Floyd County School District
Combining Balance Sheet - School Activity Funds
 June 30, 2015

	<u>ALLEN CENTRAL HIGH</u>	<u>BETSY LANE HIGH</u>	<u>PRESTONSBURG HIGH</u>	<u>SOUTH FLOYD HIGH</u>	<u>ADAMS MIDDLE</u>	<u>ALLEN CENTRAL MIDDLE</u>	<u>ALLEN ELEMENTARY</u>	<u>BETSY LANE ELEMENTARY</u>	<u>JAMES A DUFF ELEMENTARY</u>
ASSETS									
Cash and cash equivalents	\$ 26,374	\$ 50,448	41,671	\$ 58,735	\$ 28,192	\$ 11,997	\$ 2,072	\$ 32,780	\$ 800
Accounts receivable	-		1,501	-	-		-	-	-
Total Assets	<u>26,374</u>	<u>50,448</u>	<u>43,172</u>	<u>58,735</u>	<u>28,192</u>	<u>11,997</u>	<u>2,072</u>	<u>32,780</u>	<u>800</u>
LIABILITIES									
Accounts payable	54	4,307	85			-			
FUND BALANCE									
School Activities	<u>26,320</u>	<u>46,141</u>	<u>43,087</u>	<u>58,735</u>	<u>28,192</u>	<u>11,997</u>	<u>2,072</u>	<u>32,780</u>	<u>800</u>
Total Liabilities & Fund Balance	<u>\$ 26,374</u>	<u>\$ 50,448</u>	<u>\$ 43,172</u>	<u>\$ 58,735</u>	<u>\$ 28,192</u>	<u>\$ 11,997</u>	<u>\$ 2,072</u>	<u>\$ 32,780</u>	<u>\$ 800</u>

See the accompanying notes to the financial statements.

Floyd County School District
Combining Balance Sheet - School Activity Funds
 June 30, 2015

	<u>MAY VALLEY ELEMENTARY</u>	<u>McDOWELL ELEMENTARY</u>	<u>PRESTONSBURG ELEMENTARY</u>	<u>STUMBO ELEMENTARY</u>	<u>WD OSBORNE ELEMENTARY</u>	<u>RENAISSANCE LEARNING</u>	<u>AGENCY FUNDS</u>	<u>FIDUCIARY FUND TOTAL</u>
ASSETS								
Cash and cash equivalents	\$ 38,276	\$ 5,322	\$ 23,703	\$ 11,833	\$ 11,393	\$ 1,100	\$ 41,361	\$ 386,057
Accounts receivable	-	-	82	-	-	-	2,342	3,925
Total Assets	<u>38,276</u>	<u>5,322</u>	<u>23,785</u>	<u>11,833</u>	<u>11,393</u>	<u>1,100</u>	<u>43,703</u>	<u>389,982</u>
LIABILITIES								
Accounts payable	148			303	-		-	4,897
FUND BALANCE								
School Activities	<u>38,128</u>	<u>5,322</u>	<u>23,785</u>	<u>11,530</u>	<u>11,393</u>	<u>1,100</u>	<u>43,703</u>	<u>385,085</u>
Total Liabilities & Fund Balance	<u>\$ 38,276</u>	<u>\$ 5,322</u>	<u>\$ 23,785</u>	<u>\$ 11,833</u>	<u>\$ 11,393</u>	<u>\$ 1,100</u>	<u>\$ 43,703</u>	<u>\$ 389,982</u>

See the accompanying notes to the financial statements.

Floyd County School District
Combining Statement of Revenues, Expenses and Changes in Fund Balance
- School Activity Funds
Year ended June 30, 2015

	<u>ALLEN CENTRAL HIGH</u>	<u>BETSY LANE HIGH</u>	<u>PRESTONSBURG HIGH</u>	<u>SOUTH FLOYD HIGH</u>	<u>ADAMS MIDDLE</u>	<u>ALLEN CENTRAL MIDDLE</u>	<u>ALLEN ELEMENTARY</u>	<u>BETSY LANE ELEMENTARY</u>	<u>JAMES A DUFF ELEMENTARY</u>
REVENUES									
Student revenues	\$ 230,309	\$ 192,192	\$ 166,193	\$ 194,428	\$ 108,514	\$ 77,264	\$ 53,987	\$ 93,631	\$ 42,228
Total Revenues	<u>230,309</u>	<u>192,192</u>	<u>166,193</u>	<u>194,428</u>	<u>108,514</u>	<u>77,264</u>	<u>53,987</u>	<u>93,631</u>	<u>42,228</u>
EXPENDITURES									
Student activities	<u>222,279</u>	<u>179,659</u>	<u>169,217</u>	<u>193,096</u>	<u>112,721</u>	<u>78,723</u>	<u>63,236</u>	<u>96,785</u>	<u>50,591</u>
Total Expenditures	<u>222,279</u>	<u>179,659</u>	<u>169,217</u>	<u>193,096</u>	<u>112,721</u>	<u>78,723</u>	<u>63,236</u>	<u>96,785</u>	<u>50,591</u>
Excess (Deficit) of Revenues Over Expenditures	8,030	12,533	(3,025)	1,332	(4,208)	(1,459)	(9,250)	(3,155)	(8,363)
FUND BALANCE July 1, 2014	<u>18,289</u>	<u>33,608</u>	<u>46,112</u>	<u>57,403</u>	<u>32,400</u>	<u>13,456</u>	<u>11,322</u>	<u>35,935</u>	<u>9,164</u>
FUND BALANCE June 30, 2015	<u>\$ 26,320</u>	<u>\$ 46,141</u>	<u>\$ 43,087</u>	<u>\$ 58,735</u>	<u>\$ 28,192</u>	<u>\$ 11,997</u>	<u>\$ 2,072</u>	<u>\$ 32,780</u>	<u>\$ 800</u>

See the accompanying notes to the financial statements.

Floyd County School District
Combining Statement of Revenues, Expenses and Changes in Fund Balance
- School Activity Funds
Year ended June 30, 2015

	<u>MAY VALLEY ELEMENTARY</u>	<u>McDOWELL ELEMENTARY</u>	<u>PRESTONSBURG ELEMENTARY</u>	<u>STUMBO ELEMENTARY</u>	<u>WD OSBORNE ELEMENTARY</u>	<u>RENAISSANCE LEARNING</u>	<u>AGENCY FUNDS</u>	<u>FIDUCIARY FUND TOTAL</u>
REVENUES								
Student revenues	\$ 116,833	\$ 27,959	\$ 113,227	\$ 84,407	75,283	\$ 82	\$ 35,925	\$ 1,612,459
Total Revenues	<u>116,833</u>	<u>27,959</u>	<u>113,227</u>	<u>84,407</u>	<u>75,283</u>	<u>82</u>	<u>35,925</u>	<u>1,612,459</u>
EXPENDITURES								
Student activities	101,279	30,379	123,717	84,792	83,374	36		1,589,884
Total Expenditures	<u>101,279</u>	<u>30,379</u>	<u>123,717</u>	<u>84,792</u>	<u>83,374</u>	<u>36</u>	<u>-</u>	<u>1,589,884</u>
Excess (Deficit) of Revenues Over Expenditures	15,554	(2,420)	(10,490)	(385)	(8,092)	47	35,925	22,575
FUND BALANCE July 1, 2014	<u>22,574</u>	<u>7,742</u>	<u>34,275</u>	<u>11,915</u>	<u>19,484</u>	<u>1,053</u>	<u>7,778</u>	<u>362,510</u>
FUND BALANCE June 30, 2015	\$ <u>38,128</u>	\$ <u>5,322</u>	\$ <u>23,785</u>	\$ <u>11,530</u>	\$ <u>11,393</u>	\$ <u>1,100</u>	\$ <u>43,703</u>	\$ <u>385,085</u>

See the accompanying notes to the financial statements.

FLOYD COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES , EXPENSES, AND CHANGES IN FUND BALANCE -
ALLEN CENTRAL HIGH SCHOOL
YEAR ENDED JUNE 30, 2015

	FUND BALANCE JULY 1, 2014	REVENUES	EXPENDITURES	TRANSFERS	FUND BALANCE JUNE 30, 2015
GENERAL FUND	\$ -	\$ 525	\$ 195	\$ (330)	-
SCHOOL PICTURES	114	1,564	942	(735)	-
ENERGY TEAM	168	-	-	-	168
HISTORY CLUB	-	20	50	30	-
STUDENT VENDING	940	20,701	20,550	(509)	582
LIBRARY FUND	73	5	-	-	78
KYA	-	5,415	5,415	-	-
TAG	692	3,025	2,625	(250)	842
TEACHER VENDING	1,115	5,852	4,986	-	1,981
ARI GRANT	-	900	900	-	-
ANNUALS	-	3,699	2,916	27	810
CBI	9	-	-	-	9
REBEL AGAINST DRUGS	-	1,623	1,026	(116)	481
CHILDRENS INC	45	3,288	2,968	38	402
MATH CLUB	75	430	405	-	100
GUIDANCE	311	500	499	-	313
SENIOR ACCOUNT	72	697	626	-	143
GOOD SAMS CLUB	198	-	-	-	198
INTEREST	89	145	-	(223)	11
ACADEMICS	391	4,330	4,554	-	167
ART	30	-	-	-	30
ATHLETICS	1,478	7,016	6,655	(267)	1,572
BOYS BASKETBALL	2,388	6,918	5,889	(1,848)	1,569
REBEL HOOPS	1,751	6,740	9,443	1,311	359
BASEBALL PLAYERS	-	4,702	4,702	-	-
GIRLS BASKETBALL	1,559	4,111	3,201	(891)	1,578
LADIES ROUNDBALL	945	3,620	4,470	144	240
BOYS CONCESSION	127	3,657	2,931	(116)	738
GIRLS CONCESSION	150	2,985	2,577	(45)	514
FOOTBALL	-	6,082	5,805	(100)	178
VOLLEYBALL	368	19,640	17,919	621	2,710
EASTERN VOLLEYBALL	2,052	36,521	36,637	989	2,925
VOLLEYBLAL KSA	150	-	-	(150)	-
SOFTBALL	-	2,773	4,941	2,168	-
SOFTBALL BOOSTERS	-	2,626	2,352	(274)	-
BASEBALL	0	3,191	3,462	271	-
EASTERN HOME RUN CL	-	14,215	12,269	(271)	1,675
JUNIORS	1,634	8,065	9,440	75	334
JROTC	0	64	298	234	-
REBEL ROUSERS	1	11,159	11,236	77	0
CHEERLEADING	-	11,006	7,973	-	3,034
BETA CLUB	42	13,462	11,969	(36)	1,499
BAND BOOSTERS	1,235	7,347	7,502	-	1,081
GOLF	-	245	497	252	-
ARCHERY	86	1,319	1,455	51	-
DISTRICT ACTIVITY FUNDS	-	126	-	(126)	-
Totals	\$ 18,289	\$ 230,309	\$ 222,279	\$ (0)	\$ 26,320

See the accompanying notes to the financial statements.

FLOYD COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES , EXPENSES, AND CHANGES IN FUND BALANCE -
BETSY LANE HIGH SCHOOL
YEAR ENDED JUNE 30, 2015

	FUND BALANCE JULY 1, 2014	REVENUES	EXPENDITURES	TRANSFERS	FUND BALANCE JUNE 30, 2015
GENERAL FUND	\$ 595	\$ 504	\$ 1,177	\$ 97	\$ 19
KYA	313	-	-	-	313
STUDENT VENDING	1,248	5,890	7,021	1,992	2,110
SCIENCE OLYMPIAD	1,413	4,992	5,959	113	559
JOURNALISM	4	-	-	-	4
PEP CLUB	-	766	200	-	566
TEACHER VENDING	116	4,118	1,719	(137)	2,379
TAG	7	2,725	2,075	-	657
STAFF FLOWER FUND	96	238	268	-	67
MEIDA PRODUCTIONS	-	260	-	-	260
SCHWANS ICE CREAM	-	2,566	1,395	(961)	210
BLHS CHAMPIONS	97	-	-	-	97
ATHLETIC	6,358	28,942	25,312	-	9,989
SPANISH CLUB	76	-	-	-	76
ART	-	10	-	-	10
MUSIC AND BAND	1,143	3,950	3,554	-	1,539
SPECIAL ED	134	375	326	-	183
PRIDE CLUB	584	757	415	-	926
ACADEMIC	171	1,779	1,623	-	327
BETA CLUB	104	565	345	-	324
FORENSICS	188	-	-	-	188
LIBRARY	26	11	-	-	36
STUDENT COUNCIL	14	-	-	-	14
SENIOR CLASS	227	10,048	10,015	-	260
JUNIOR CLASS	1,647	27,855	25,429	(11)	4,061
NEW HORIZON YSC	214	4,113	3,189	(113)	1,026
ARCHERY	1,115	2,690	3,245	-	561
COUNSELOR	158	523	463	-	218
YEARBOOK	-	3,106	3,078	(28)	-
FOOTBALL	1,030	14,565	13,860	-	1,735
SCHOOL PICTURES	-	2,575	1,583	(992)	-
GIRLSBBALLBOOSTERS	2,678	10,707	12,836	227	775
VOLLEYBALL	2,976	17,544	14,970	(227)	5,323
GIRLS CHEERLEADERS	874	8,254	7,326	-	1,802
NATIONAL HONOR SOCIETY	437	221	397	-	261
BOYS BASKETBALL HOOPSTERS	4,943	20,807	21,229	-	4,522
GIRLS SOFTBALL	4,079	4,569	4,622	-	4,026
BOYS BASEBALL	449	5,083	5,017	-	515
TRACK TEAM	2	292	334	40	-
BOWLING	-	513	400	-	113
GOLF TEAM	92	280	280	-	92
Totals	\$ 33,608	\$ 192,192	\$ 179,659	\$ 0	\$ 46,141

See the accompanying notes to the financial statements.

FLOYD COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES , EXPENSES, AND CHANGES IN FUND BALANCE -
PRESTONSBURG HIGH SCHOOL
YEAR ENDED JUNE 30, 2015

	FUND BALANCE JULY 1, 2014	REVENUES	EXPENDITURES	TRANSFERS	FUND BALANCE JUNE 30, 2015
GENERAL FUND	\$ 267	\$ 1,354	\$ 2,245	\$ 2,090	\$ 1,466
SCHOOL PICTURES	894	2,082	860	(2,090)	27
PHS TRACK & FIELD	-	10,000	8,328	-	1,672
ATHLETIC	17,556	59,829	62,963	-	14,421
TENNIS TEAM	-	1,127	1,066	-	61
SIGNS ACCOUNT	-	13,620	13,620	-	0
VOLLEYBALL BOOSTERS	2	-	-	-	2
LIBRARY CAFÉ	1,120	610	400	-	1,330
LOST & DAMAGED LIB BOOK	79	10	-	-	89
STLP CLUB	56	110	163	-	3
TECHNOLOGY	-	50	-	-	50
JUNIOR CLASS	6,191	7,742	11,930	300	2,302
PAW PRINTS MAGAZINE	52	-	-	-	52
SENIOR CLASS	402	1,320	1,507	-	215
ALLIED HEALTH	1,265	-	997	-	268
YEARBOOKS	-	2,565	2,592	27	-
KYA	189	8,670	8,619	-	240
BAND AND VOCAL	5,389	2,060	3,224	13	4,237
ACADEMIC TEAM	325	906	679	(276)	276
CONCESSION	4,191	6,667	9,864	(340)	654
FACULTY VENDING	418	7,469	5,028	-	2,859
TAG	788	19,472	15,253	-	5,007
NATIONAL HONOR SOCIETY	167	6,381	6,281	276	543
NATIONAL HISPANIC HONOR S	80	494	188	-	386
FBLA	5,177	194	742	-	4,629
SCIENCE LCUB	1,303	5,145	5,093	-	1,356
PROJECT PROM	0	600	647	47	0
YOUTH SERVICE CENTER	202	50	154	(47)	52
SPECIAL EDUCATION DEPART	-	-	(51)	-	51
KYHED	-	-	(840)	-	840
STEM-RITCHIE	-	1,510	1,510	-	-
STEM-WILLIS	-	1,521	1,521	-	-
STEM-HOWARD	-	1,719	1,719	-	-
STEM-BRADLEY	-	1,518	1,518	-	-
STEM-KILBURN	-	1,398	1,398	-	-
	-	-	-	-	-
Totals	\$ 46,112	\$ 166,193	\$ 169,217	\$ -	\$ 43,087

See the accompanying notes to the financial statements.

FLOYD COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES , EXPENSES, AND CHANGES IN FUND BALANCE -
SOUTH FLOYD HIGH SCHOOL
YEAR ENDED JUNE 30, 2015

	FUND BALANCE JULY 1, 2014	REVENUES	EXPENDITURES	TRANSFERS	FUND BALANCE JUNE 30, 2015
VOLLEYBALL	\$ 376	\$ 9,878	\$ 7,861	\$ -	\$ 2,393
BOYS BASKETBALL	3,319	13,525	12,025	-	4,819
GIRLS BASKETBALL	1,835	9,761	8,039	-	3,556
SFMS-GIRLS BASKETBALL	678	1,676	834	-	1,521
SFMS BOYS BASKETBALL	-	4,242	3,002	22	1,261
SPANISH	68	-	-	-	68
GENERAL FUND	153	7,252	6,599	-	806
ATHLETICS	10,969	44,564	43,877	-	11,656
LIBRARY	103	6,655	5,245	-	1,514
BOYS VARSITY CHEER	1,829	8,283	10,111	-	0
SFMS GIRLS CHEERLEADING	2,905	390	3,169	(22)	104
FOOTBALL BOOSTERS	4,050	12,110	14,477	-	1,684
STLP	0	-	-	-	0
BAND/MUSIC	16	-	-	-	16
ARCHERY	337	555	685	-	207
STUDENT VENDING	6,299	9,490	15,672	1,735	1,852
AP CLASS	2,309	1,734	4,042	-	-
PHOTO STUDIO	6	-	-	-	6
TEACHER VENDING	299	3,920	2,393	-	1,826
FRESHMEN	123	-	-	-	123
TALENTED & GIFTED	-	3,950	2,950	-	1,000
JUNIORS	26	11,869	12,618	888	165
SENIORS	727	5,979	5,283	-	1,423
BETA CLUB	744	-	-	(207)	537
SFMS HONOR CLUB	-	20,270	16,852	(2,415)	1,003
PTO	108	-	-	-	108
STUDENT COUNCIL	5	-	-	-	5
CADD	51	-	-	-	51
MOLLETT SCH INTEREST	217	10	-	-	227
MOLLETT SCH CD	10,008	-	-	-	10,008
TEXTBOOK	751	-	-	-	751
YEARBOOK	468	27	-	-	495
GREENHOUSE	2,822	-	-	-	2,822
SFMS FOOTBALL	562	3,132	3,647	-	47
ACADEMIC TEAM	106	91	-	-	197
SHORTY JAMERSON BOWL	2,401	-	1,707	-	694
SFMS VOLLEYBALL	-	4,004	3,461	-	543
SFMS ACADEMIC	121	-	-	-	121
8TH GRADE	81	5,927	4,896	-	1,112
SOFTBALL	1,802	1,066	757	-	2,111
KSTC-ADVANCE KENTUCKY	731	731	-	-	1,462
SWAG	-	2,970	2,894	-	76
21ST CENTURY	-	368	-	-	368
	-	-	-	-	-
Totals	\$ 57,403	\$ 194,428	\$ 193,096	\$ -	\$ 58,735

See the accompanying notes to the financial statements.

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

NOTE A – BASIS OF PRESENTATION

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

NOTE B – SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State and Local Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represents adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. At June 30, 2015, the District had received food commodities totaling \$255,224.

Floyd County School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2015

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Expenditures
U.S. Department of Agriculture				
Passed Through State Department of Education				
School Breakfast Program	10.553			
Fiscal Year 14		7760005 14	\$ N/A	\$ 394,079
Fiscal Year 15		7760005 15	N/A	1,162,656
National School Lunch Program	10.555			
Fiscal Year 14		7750002 14	N/A	680,907
Fiscal Year 15		7750002 15	N/A	2,079,642
Summer Food Service	10.559			
Fiscal Year 14		7740023 14	N/A	7,293
Fiscal Year 14		7690024 14	N/A	749
Child Nutrition Cluster Subtotal				<u>4,325,327</u>
Fruit & Vegetable Program	10.582			
Fiscal Year 14		7720012 14	N/A	32,613
Fiscal Year 15		7720012 15	N/A	175,290
				<u>207,903</u>
Passed Through State Department of Agriculture				
Food Donation-Commodities	10.565			
Fiscal Year 15		510.4950	N/A	255,224
Total U.S. Department of Agriculture				<u>4,788,454</u>
US Department of Education				
Passed Through State Department of Education				
* Title I Grants to Local Educational Agencies	84.010A			
Fiscal Year 13		3100002 13	3,772,010	20,919
Fiscal Year 13M		3100002 13	38,103	5,082
Fiscal Year 14		3100002 14	3,582,537	291,048
Fiscal Year 14M		3100002 14	35,884	17,589
Fiscal Year 15		3100002 15	3,404,194	3,037,953
Fiscal Year 15M		3100002 15	34,386	16,159
				<u>3,388,751</u>
Special Education Grants to States	84.027A			
Fiscal Year 13		3810002 13	1,350,254	279
Fiscal Year 14		3810002 14	1,311,933	184,247
Fiscal Year 14P		3810002 14	8,628	8,628
Fiscal Year 15		3810002 15	1,338,003	1,205,973
Fiscal Year 15P		3810002 15	11,525	12,514
Special Education - Preschool Grants	84.173A			
Fiscal Year 14		3800002 14	66,069	51,518
Fiscal Year 15		3800002 15	65,657	42,231
Fiscal Year 15P		3800002 15	1,349	1,349
Special Education Cluster Subtotal				<u>1,506,740</u>
Vocation Education - Basic Grants to States	84.048			
Fiscal Year 13A		4621132 13	3,203	84
Fiscal Year 14		4621132 14	61,400	23,301
Fiscal Year 14A		4621132 14	2,451	2,363
Fiscal Year 15		4621132 15	70,805	65,936
				<u>91,683</u>
Rural Education	84.358B			
Fiscal Year 13		3140002 13	116,979	5,588
Fiscal Year 14		3140002 14	111,621	6,625
Fiscal Year 15		3140002 15	128,256	111,348
				<u>123,561</u>
Twenty-First Century Community Learning Centers	84.287			
Fiscal Year 13		3400002 13	150,000	71,655
Fiscal Year 13U		3400002 13	5,000	5,000
Fiscal Year 13Z		3400002 13	17,000	17,000
Fiscal Year 14		3400002 14	112,500	106,727
Fiscal Year 14X		3400002 14	75,000	72,347
				<u>272,729</u>
Improving Teacher Quality State Grants	84.367A			
Fiscal Year 15		3230002 15	606,628	506,641
Race to the Top	84.413A			
Fiscal Year 11		39600002 11	161,282	28,591
Passed Through Kentucky Valley Educational Cooperative				
Race to the Top - District	84.416A			
Fiscal Year 15		B416A140080	262,242	277,596
Passed Through Morehead State University				
Kentucky Appalachian Higher Education (KYAHED)	23.011			
Fiscal Year 15		688A	7,658	5,860
Passed Through Morehead State University				
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A			
Fiscal Year 11G		3791G	191,050	967
Fiscal Year 12G		3792G	216,050	3,134

See the accompanying notes to the schedule of expenditures of federal awards.

Floyd County School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2015

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Expenditures
Fiscal Year 13G		3793G	209,050	1,407
Fiscal Year 14G		3794G	206,259	72,435
				<u>77,943</u>
Total U.S. Department of Education				<u><u>6,280,095</u></u>
U.S. Department of Defense				
ROTC	12.000			
Fiscal Year 14		5044	N/A	2,425
Fiscal Year 15		504A	N/A	54,143
Total U.S. Department of Defense				<u><u>56,569</u></u>
U.S. Department of Health and Human Services				
Passed through Big Sandy Area Community Action Program				
Head Start	93.600			
Fiscal Year 14		04CH2596	1,101,880	294,330
Fiscal Year 15		04CH2596	1,263,108	859,430
Total U.S. Department of Health and Human Services				<u><u>1,153,760</u></u>
Total Expenditure of Federal Awards				\$ <u><u>12,278,877</u></u>

* Major program

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Auditor Responsibilities* and *State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Floyd County School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Floyd County School District's basic financial statements, and have issued our report thereon dated November 13, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Floyd County School District, in a separate letter dated November 13, 2015.

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

Purpose of this Report

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

White & Associates P.C.

Richmond, Kentucky
November 13, 2015

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

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

White & Associates P.C.

Richmond, Kentucky
November 13, 2015

FLOYD COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2015

SUMMARY OF AUDITOR’S RESULTS

What type of report was issued for the financial statements?	Unmodified
Were there significant deficiencies in internal control disclosed? If so, was any significant deficiencies material (GAGAS)?	None Reported
Was any material noncompliance reported (GAGAS)?	No
Were there material weaknesses in internal control disclosed for major programs?	No
Were there any significant deficiencies in internal control disclosed that were not considered to be material weaknesses?	None Reported
What type of report was issued on compliance for major programs?	Unmodified
Did the audit disclose findings as it relates to major programs that Is required to be reported as described in Section 510(a) of OMB A-133?	No
Major Programs	Title I[CFDA 84.010A]
Dollar threshold of Type A and B programs	\$368,366
Low risk auditee?	Yes

FINDINGS - FINANCIAL STATEMENT AUDIT

No findings at the financial statement level.

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

No findings at the major federal award programs level.

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

There were no prior year findings.