

**BOYD COUNTY SCHOOL DISTRICT**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2013**

**TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS**



Kelley,  
Galloway &  
Company, PSC

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Boyd County School District (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Boyd County School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund and the Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis information on pages 6 through 9 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 Boyd County School District's basic financial statements. The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2013, on our consideration of Boyd County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Kelley, Galloway & Company, PSC*

October 14, 2013

**BOYD COUNTY SCHOOL DISTRICT - ASHLAND, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE YEAR ENDED JUNE 30, 2013**

As management of the Boyd County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the financial statements.

**FINANCIAL HIGHLIGHTS**

- After many years of planning and construction, our new building for Boyd County High School opened to students in January 2013. It includes a STEM (Science, Technology, Engineering, and Math) section to accommodate and challenge students gifted in these areas. We expect great things from our staff and students working in this modern, well equipped facility.
- The board issued no new debt during the 2013 fiscal year. However, the District recorded a liability from previous participation in Kentucky School Boards Insurance Trust general liability and workers compensation insurance groups of \$306,413. The net effect on the District's total debt of this action, combined with scheduled payments, was a decrease of \$1,365,495 in outstanding balances during the current fiscal year.
- The District renovates and constructs facilities consistent with a long-range facilities plan that is established with community input and is in compliance with Kentucky Department of Education (KDE) regulations. A new facilities plan was completed during the fall of 2012. Funds used to service debt payments come from categorical state and local funds that can only be used for the payment of facilities construction and renovation.
- State funding for the operation of schools in Kentucky continues to be a concern. Reductions in state funding, coupled with federal sequestration funding reductions, are causing serious problems for most school boards. We have been forced to reduce staff and funding for programs, facilities maintenance, and student transportation to balance our budget. The Kentucky General Assembly will meet in January 2014 to decide state funding amounts for the 2015 and 2016 fiscal years. We will not have reliable state funding information for the 2015 school year until April 2014.
- The General Fund had approximately \$27.0 million in revenue in 2013, which primarily consisted of the state program for school funding (SEEK) and local property, utility, and motor vehicle taxes. There were approximately \$26.6 million in General Fund expenditures this year. The Board is reducing budgeted expenditures in the 2014 budget by over \$1 million to offset declines in expected revenues.

**OVERVIEW OF FINANCIAL STATEMENTS**

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

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

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

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

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

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

**Notes to the financial statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23-36 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$19.2 million as of June 30, 2013. 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.

<b>Government-wide Basis</b>	<b><u>June 30, 2013</u></b>	<b><u>June 30, 2012</u></b>
Current Assets	\$ 3,370,689	\$ 11,112,843
Noncurrent Assets	54,067,833	48,562,431
<b>Total Assets</b>	<b><u>\$ 57,438,522</u></b>	<b><u>\$ 59,675,274</u></b>
Current Liabilities	\$ 3,174,735	\$ 3,627,981
Noncurrent Liabilities	35,023,171	36,277,443
<b>Total Liabilities</b>	<b><u>38,197,906</u></b>	<b><u>39,905,424</u></b>
Investment in capital assets (net of debt)	18,123,234	10,938,339
Restricted	972,274	8,831,283
Unrestricted	145,108	228
<b>Total Net Position</b>	<b><u>\$ 19,240,616</u></b>	<b><u>\$ 19,769,850</u></b>

The following table presents a summary of revenue and expense on a government-wide basis for the fiscal years ended June 30, 2013 and 2012, respectively.

	<u>2013</u> Amount	<u>2012</u> Amount
<b>Revenues:</b>		
Local Revenue Sources	\$ 10,847,553	\$ 9,909,216
State Revenue Sources	19,759,110	19,760,511
Direct Federal Sources	1,503,777	1,633,041
Federal Subsidy	577,360	632,397
Indirect Federal Sources	3,304,654	3,443,496
Interest Income	37,331	256,633
Other Sources	554,810	555,341
<b>Total revenues</b>	<b><u>36,584,595</u></b>	<b><u>36,190,635</u></b>
<b>Expenses:</b>		
Instruction	22,317,303	21,143,453
Student Support Services	1,691,780	1,892,080
Instructional Support	1,215,151	1,430,498
District Administration	805,525	604,157
School Administration	1,479,187	1,521,501
Business Support	522,610	598,624
Plant Operations	3,417,427	3,609,799
Student Transportation	1,811,281	1,788,516
Community Services	254,145	274,922
Food Service Operations	1,101,981	1,646,349
Interest	2,191,022	2,296,858
Total expenses before KSBIT	36,807,416	36,806,757
Extraordinary item - KSBIT	306,413	-
<b>Total expenses</b>	<b><u>37,113,829</u></b>	<b><u>36,806,757</u></b>
<b>Revenue over (under) expenses</b>	<b><u>\$ (529,234)</u></b>	<b><u>\$ (616,122)</u></b>

## FUND BASIS

- The District's total revenues for the governmental funds for the fiscal year ended June 30, 2013 and 2012, net of inter-fund transfers and bond proceeds, was approximately \$34.9 million and

\$34.4 million, respectively.

- The total cost of all programs and services for the governmental funds was approximately \$31.4 million and \$32.2 million, net of debt service and facilities acquisition and construction, for the fiscal years ended June 30, 2013 and 2012, respectively.

#### **Comments on Budget Comparisons**

- General Fund budgeted local tax revenue compared to actual revenue varied from line item to line item again this year. Local tax collections as a group were \$534,478 above budget projections. We interpret this as an indication that our local economy is recovering from the recession.

#### **FUTURE BUDGETARY IMPLICATIONS**

In Kentucky the public school fiscal year is July 1-June 30; other programs, (i.e. some federal programs) operate on a different fiscal calendar, but are reflected in the District's overall budget. By state law the budget must have a minimum 2% contingency. The District adopted a budget for 2014 with \$1,324,065 in contingency (4.7%). The Governmental Funds beginning unrestricted balance for the 2014 fiscal year is \$1,193,598. Questions regarding this report should be directed to Superintendent R. Brock Walter (606) 928-4141 or to Director of Finance Don Fleu (606) 928-4141 or by mail at 1104 Bob McCullough Drive, Ashland, Kentucky 41102.

**BOYD COUNTY SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2013**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 2,104,662	\$ 365,874	\$ 2,470,536
Receivables (net of allowances for uncollectibles):			
Taxes	376,419	-	376,419
Other	13,344	-	13,344
Interfund receivable	34,553	-	34,553
Intergovernmental - state	317,718	-	317,718
Intergovernmental - federal	-	65,817	65,817
Inventories	-	92,302	92,302
Bond issue costs, net of amortization	132,738	-	132,738
Capital assets, not being depreciated	36,474,447	-	36,474,447
Capital assets, being depreciated, net	16,876,420	584,228	17,460,648
Total assets	<u>56,330,301</u>	<u>1,108,221</u>	<u>57,438,522</u>
<b>Liabilities</b>			
Accounts payable	310,282	2,091	312,373
Accrued salaries and benefits payable	654,938	-	654,938
Accrued interest payable	371,488	-	371,488
Deferred revenue	133,109	-	133,109
Portion due or payable within one year:			
Debt obligations	1,702,827	-	1,702,827
Noncurrent liabilities:			
Portion due or payable after one year:			
Debt obligations	34,109,034	-	34,109,034
KISBIT payable	306,413	-	306,413
Accrued sick leave	607,724	-	607,724
Total liabilities	<u>38,195,815</u>	<u>2,091</u>	<u>38,197,906</u>
<b>Net Position</b>			
Invested in capital assets, net of related debt	17,539,006	584,228	18,123,234
Restricted for:			
Capital projects	450,372	-	450,372
Other purposes	-	521,902	521,902
Unrestricted	145,108	-	145,108
Total net position	<u>\$ 18,134,486</u>	<u>\$ 1,106,130</u>	<u>\$ 19,240,616</u>

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

**BOYD COUNTY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
<b>Primary government:</b>							
Governmental activities:							
Instruction	\$ 22,317,307	\$ 45,256	\$ 3,752,575	\$ -	\$ (18,519,476)	\$ -	\$ (18,519,476)
Support services:							
Students	1,691,780	-	397,412	-	(1,294,368)	-	(1,294,368)
Instructional staff	1,215,151	-	220,083	-	(995,068)	-	(995,068)
District administration	805,525	-	-	-	(805,525)	-	(805,525)
School administration	1,479,187	-	97,770	-	(1,381,417)	-	(1,381,417)
Business and other support services	522,610	-	53,280	-	(469,330)	-	(469,330)
Operation and maintenance of plant	3,417,427	-	59,709	-	(3,357,718)	-	(3,357,718)
Student transportation	1,811,281	-	54,605	-	(1,756,676)	-	(1,756,676)
Community services	254,145	-	234,658	-	(19,487)	-	(19,487)
Interest	2,191,022	-	-	1,150,516	(1,040,506)	-	(1,040,506)
Total governmental activities	<u>35,705,435</u>	<u>45,256</u>	<u>4,870,092</u>	<u>1,150,516</u>	<u>(29,639,571)</u>	<u>-</u>	<u>(29,639,571)</u>
Business-type activities:							
Food service	1,101,981	462,429	1,255,679	-	-	616,127	616,127
Total business-type activities	<u>1,101,981</u>	<u>462,429</u>	<u>1,255,679</u>	<u>-</u>	<u>-</u>	<u>616,127</u>	<u>616,127</u>
Total primary government	<u>\$ 36,807,416</u>	<u>\$ 507,685</u>	<u>\$ 6,125,771</u>	<u>\$ 1,150,516</u>	<u>\$ (29,639,571)</u>	<u>\$ 616,127</u>	<u>\$ (29,023,444)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					\$ 6,724,724	\$ -	\$ 6,724,724
Motor vehicle					1,082,248	-	1,082,248
Utilities					2,532,896	-	2,532,896
Intergovernmental revenues:							
State					17,886,118	-	17,886,118
Investment earnings					36,956	375	37,331
Gain on sale of assets					4,874	-	4,874
Other local revenues					532,432	-	532,432
Total general revenues and transfers					<u>28,800,248</u>	<u>375</u>	<u>28,800,623</u>
Extraordinary item - KSBIT assessment					(306,413)	-	(306,413)
Change in net position					(1,145,736)	616,502	(529,234)
Net position, June 30, 2012					<u>19,280,222</u>	<u>489,628</u>	<u>19,769,850</u>
Net position, June 30, 2013					<u>\$ 18,134,486</u>	<u>\$ 1,106,130</u>	<u>\$ 19,240,616</u>

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

BOYD COUNTY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013

	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 1,479,070	\$ 10,182	\$ 462,846	\$ 152,564	\$ 2,104,662
Receivables (net of allowances for uncollectibles):					
Property taxes	376,419	-	-	-	376,419
Other	13,344	-	-	-	13,344
Interfund receivable	34,553	-	-	-	34,553
Intergovernmental - state	189,050	128,668	-	-	317,718
Intergovernmental - federal	-	-	-	-	-
Total assets	<u>\$ 2,092,436</u>	<u>\$ 138,850</u>	<u>\$ 462,846</u>	<u>\$ 152,564</u>	<u>\$ 2,846,696</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 140,552	\$ 5,741	\$ 136,576	\$ 27,413	\$ 310,282
Accrued salaries and benefits payable	654,938	-	-	-	654,938
Deferred revenue	-	133,109	-	-	133,109
Total liabilities	<u>795,490</u>	<u>138,850</u>	<u>136,576</u>	<u>27,413</u>	<u>1,098,329</u>
<b>Fund balances:</b>					
Assigned	-	-	-	1,049	1,049
Restricted	-	-	326,270	124,102	450,372
Non-spendable	-	-	-	-	-
Unassigned	1,193,598	-	-	-	1,193,598
Committed	103,348	-	-	-	103,348
Total fund balances	<u>1,296,946</u>	<u>-</u>	<u>326,270</u>	<u>125,151</u>	<u>1,748,367</u>
Total liabilities and fund balances	<u>\$ 2,092,436</u>	<u>\$ 138,850</u>	<u>\$ 462,846</u>	<u>\$ 152,564</u>	<u>\$ 2,846,696</u>

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

**BOYD COUNTY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET POSITION  
JUNE 30, 2013**

Fund balances—total governmental funds	\$ 1,748,367
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	53,350,867
Certain other assets and liabilities are not available to pay current period expenditures and therefore are not reported in the funds.	(238,750)
Some liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.	<u>(36,725,998)</u>
Net position of governmental activities	<u>\$ 18,134,486</u>

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

BOYD COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
From local sources:					
Taxes -					
Property	\$ 5,334,934	\$ -	\$ -	\$ 1,389,790	\$ 6,724,724
Motor vehicles	1,082,248	-	-	-	1,082,248
Utilities	2,532,896	-	-	-	2,532,896
Tuition and fees	45,256	-	-	-	45,256
Interest income	22,152	490	8,692	5,622	36,956
Other local revenues	532,432	17,504	-	-	549,936
Intergovernmental - State	16,714,162	1,319,161	-	1,601,456	19,634,779
Intergovernmental - Indirect federal	79,126	2,094,180	-	-	2,173,306
Intergovernmental - Direct federal	64,530	1,439,247	-	-	1,503,777
Intergovernmental - Federal subsidy	-	-	-	577,360	577,360
<b>Total revenues</b>	<u>26,407,736</u>	<u>4,870,582</u>	<u>8,692</u>	<u>3,574,228</u>	<u>34,861,238</u>
<b>Expenditures:</b>					
Current:					
Instruction	16,568,977	3,753,065	-	-	20,322,042
Support services:					
Students	1,294,368	397,412	-	-	1,691,780
Instructional staff	995,068	220,083	-	-	1,215,151
District administration	804,418	-	-	-	804,418
School administration	1,381,127	97,770	-	-	1,478,897
Business and other support services	469,330	53,280	-	-	522,610
Operation and maintenance of plant	3,268,593	59,709	-	-	3,328,302
Student transportation	1,758,736	54,605	-	-	1,813,341
Community services	18,702	234,658	-	-	253,360
Facilities acquisition and construction	-	-	7,193,964	-	7,193,964
Debt service	32,522	-	-	3,451,335	3,483,857
<b>Total expenditures</b>	<u>26,591,841</u>	<u>4,870,582</u>	<u>7,193,964</u>	<u>3,451,335</u>	<u>42,107,722</u>
Excess (deficiency) of revenues over expenditures	<u>(184,105)</u>	<u>-</u>	<u>(7,185,272)</u>	<u>122,893</u>	<u>(7,246,484)</u>
<b>Other financing sources (uses):</b>					
Gain on sale of equipment	4,874	-	-	-	4,874
Capital lease proceeds	169,690	-	-	-	169,690
Transfers in	911,000	-	180,000	2,300,819	3,391,819
Transfers out	-	-	-	(3,391,819)	(3,391,819)
<b>Total other financing sources and uses</b>	<u>1,085,564</u>	<u>-</u>	<u>180,000</u>	<u>(1,091,000)</u>	<u>174,564</u>
<b>Net change in fund balances</b>	<u>901,459</u>	<u>-</u>	<u>(7,005,272)</u>	<u>(968,107)</u>	<u>(7,071,920)</u>
Fund balances, June 30, 2012	395,487	-	7,331,542	1,093,258	8,820,287
Fund balances, June 30, 2013	<u>\$ 1,296,946</u>	<u>\$ -</u>	<u>\$ 326,270</u>	<u>\$ 125,151</u>	<u>\$ 1,748,367</u>

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

BOYD COUNTY SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013

Net change in fund balances—total governmental funds \$ (7,071,920)

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

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

Capital outlay	6,146,450	
Depreciation expense	(1,134,546)	5,011,904

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

Long-term portion of accrued sick leave	(72,142)
Bond issue costs, net of amortization	(7,585)
Interest payable	(371,488)
KISBIT payable	(306,413)

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

1,671,908

Change in net position of governmental activities \$ (1,145,736)

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

**BOYD COUNTY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2013**

	<u>Food Service Fund</u>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 365,874
Receivables (net of allowances for uncollectibles)	
Intergovernmental - federal	65,817
Inventories	<u>92,302</u>
Total current assets	<u>523,993</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>584,228</u>
Total noncurrent assets	<u>584,228</u>
Total assets	<u><u>\$ 1,108,221</u></u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	<u>\$ 2,091</u>
Total current liabilities	<u>2,091</u>
Total liabilities	<u>2,091</u>
<b>Net Position</b>	
Invested in capital assets	584,228
Restricted	<u>521,902</u>
Total net position	<u>1,106,130</u>
Total liabilities and net position	<u><u>\$ 1,108,221</u></u>

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

**BOYD COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Food Service Fund</u>
Operating revenues:	
Lunchroom sales	\$ 462,429
Total operating revenues	<u>462,429</u>
Operating expenses:	
Salaries and wages	546,440
Employee benefits	256,479
Materials and supplies	259,337
Depreciation	31,934
Other operating expenses	7,791
Total operating expenses	<u>1,101,981</u>
Operating loss	<u>(639,552)</u>
Nonoperating revenues:	
Federal grants	1,014,138
Investment income	375
Donated commodities	117,210
State grants	124,331
Total nonoperating revenue	<u>1,256,054</u>
Increase in net position	616,502
Net position, June 30, 2012	<u>489,628</u>
Net position, June 30, 2013	<u><u>\$ 1,106,130</u></u>

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

**BOYD COUNTY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Food Service Fund</u>
Cash flows from operating activities:	
Cash received from:	
Lunchroom sales	\$ 462,429
Cash paid to/for:	
Payments to suppliers and providers of goods and services	(118,782)
Payments to employees	(695,200)
Other payments	(7,791)
Net cash used for operating activities	<u>(359,344)</u>
Cash flows from noncapital financing activities:	
Government grants	978,554
Net cash provided by noncapital and related financing activities	<u>978,554</u>
Cash flows from capital and related financing activities:	
Purchases of capital assets	(533,017)
Net cash used for capital and related financing activities	<u>(533,017)</u>
Cash flows from investing activities:	
Interest received on investments	375
Net cash provided by investing activities	<u>375</u>
Net increase in cash and cash equivalents	86,568
Cash and cash equivalents, June 30, 2012	<u>279,306</u>
Cash and cash equivalents, June 30, 2013	<u>\$ 365,874</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (639,552)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	31,934
Donated commodities	117,210
On-behalf payments	107,719
Change in assets and liabilities:	
Inventory	26,002
Accounts payable	(2,657)
Net cash provided by (used for) operating activities	<u>\$ (359,344)</u>
Non-cash items:	
Donated commodities	\$ 117,210
On-behalf payments	107,719

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

**BOYD COUNTY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2013**

	<u>Trust Funds</u>	<u>Day Care Funds</u>	<u>Activity Funds</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 103,983	\$ -	\$ 476,975
Accounts receivable	-	34,905	6,394
Total assets	<u>103,983</u>	<u>34,905</u>	<u>483,369</u>
<b>Liabilities</b>			
Accounts payable	670	34,553	-
Interfund payable	-	-	-
Due to students	-	-	483,369
Total liabilities	<u>670</u>	<u>34,553</u>	<u>483,369</u>
<b>Net position held in trust</b>	<u><u>\$ 103,313</u></u>	<u><u>\$ 352</u></u>	<u><u>\$ -</u></u>

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

**BOYD COUNTY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Trust Funds</u>	<u>Day Care Funds</u>
Additions -		
Interest income	\$ 642	\$ -
Other local revenues	3,350	271,451
Intergovernmental - State (on-behalf)	-	36,728
	<u>3,992</u>	<u>308,179</u>
Deductions -		
Operating expenses	-	308,179
Benefits paid	4,341	-
	<u>4,341</u>	<u>308,179</u>
Change in net position	(349)	-
Net position, June 30, 2012	<u>103,662</u>	<u>352</u>
Net position, June 30, 2013	<u>\$ 103,313</u>	<u>\$ 352</u>

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

**BOYD COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes -				
Property	\$ 4,700,000	\$ 4,915,600	\$ 5,334,934	\$ 419,334
Motor vehicles	900,000	900,000	1,082,248	182,248
Utilities	2,600,000	2,600,000	2,532,896	(67,104)
Tuition and fees	50,000	50,000	45,256	(4,744)
Interest income	100,000	20,000	22,152	2,152
Other local revenues	505,000	505,000	532,432	27,432
Intergovernmental - State	11,499,000	11,611,731	11,597,000	(14,731)
Intergovernmental - Indirect federal	61,500	61,500	79,126	17,626
Intergovernmental - Direct federal	30,000	30,000	64,530	34,530
Total revenues	<u>20,445,500</u>	<u>20,693,831</u>	<u>21,290,574</u>	<u>596,743</u>
Expenditures:				
Current:				
Instruction	12,878,186	12,530,410	12,722,230	(191,820)
Support services:				
Students	1,172,446	1,055,773	1,024,182	31,591
Instructional staff	716,727	741,346	787,994	(46,648)
District administration	587,558	667,274	728,740	(61,466)
School administration	1,273,731	1,220,151	1,092,786	127,365
Business and other support services	440,988	394,944	416,203	(21,259)
Operation and maintenance of plant	2,937,358	2,825,881	3,043,536	(217,655)
Student transportation	1,264,284	1,305,913	1,612,484	(306,571)
Community services	17,705	12,659	14,002	(1,343)
Debt service	21,860	32,522	32,522	-
Facilities acquisition and construction	-	-	-	-
Contingency	683,657	1,157,445	-	1,157,445
Total expenditures	<u>21,994,500</u>	<u>21,944,318</u>	<u>21,474,679</u>	<u>469,639</u>
Excess (deficiency) of revenues over expenditures	<u>(1,549,000)</u>	<u>(1,250,487)</u>	<u>(184,105)</u>	<u>1,066,382</u>
Other financing sources (uses):				
Gain on sale of equipment	14,000	14,000	4,874	(9,126)
Capital lease proceeds	-	-	169,690	169,690
Transfers in	-	911,000	911,000	-
Transfers out	(50,000)	-	-	-
Total other financing sources and uses	<u>(36,000)</u>	<u>925,000</u>	<u>1,085,564</u>	<u>160,564</u>
Net change in fund balances	<u>(1,585,000)</u>	<u>(325,487)</u>	<u>901,459</u>	<u>1,226,946</u>
Fund balances, June 30, 2012	<u>1,585,000</u>	<u>325,487</u>	<u>395,487</u>	<u>70,000</u>
Fund balances, June 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,296,946</u>	<u>\$ 1,296,946</u>
Adjustments to Generally Accepted Accounting Principles -				
Intergovernmental State Revenue			\$ 5,117,162	
On-behalf payments:				
Instruction			(3,846,747)	
Support services:				
District administration			(75,678)	
Operation and maintenance of plant			(225,057)	
Student transportation			(146,252)	
Student support			(270,186)	
Instructional staff			(207,074)	
School administration			(288,341)	
Business support			(53,127)	
Community service			(4,700)	
Fund balance, June 30, 2013 (GAAP basis)			<u>\$ 1,296,946</u>	

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

**BOYD COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**SPECIAL REVENUE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Interest income	\$ 1,000	\$ -	\$ 490	\$ 490
Other local revenues	12,000	12,000	17,504	5,504
Intergovernmental - State	1,138,876	1,251,914	1,319,161	67,247
Intergovernmental - Indirect federal	1,886,780	2,110,383	2,094,180	(16,203)
Intergovernmental - Direct federal	1,429,116	1,439,247	1,439,247	-
Total revenues	<u>4,467,772</u>	<u>4,813,544</u>	<u>4,870,582</u>	<u>57,038</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Instruction	3,219,184	3,660,938	3,753,065	(92,127)
<b>Support services:</b>				
Students	361,077	380,490	397,412	(16,922)
Instructional staff	436,924	306,589	220,083	86,506
District administration	-	-	-	-
School administration	102,377	95,004	97,770	(2,766)
Business and other support services	53,361	53,498	53,280	218
Operation and maintenance of plant	51,408	49,520	59,709	(10,189)
Student transportation	52,850	39,131	54,605	(15,474)
Community services	240,591	228,374	234,658	(6,284)
Total expenditures	<u>4,517,772</u>	<u>4,813,544</u>	<u>4,870,582</u>	<u>(57,038)</u>
Excess (deficiency) of revenues over expenditures	<u>(50,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other financing sources (uses):</b>				
Transfers in	50,000	-	-	-
Transfers out	-	-	-	-
Total other financing sources and uses	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, June 30, 2012	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, June 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**BOYD COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013**

**(1) REPORTING ENTITY**

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

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

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

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

Boyd County School District Finance Corporation

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

**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

Basis of Presentation

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

Government-wide statements provide information about the primary government (the District). The statements include a statement of net position and a statement of activities. These

statements report the financial activities of the overall government, except for fiduciary activities. They also distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

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

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities and segment of its business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses to programs or functions, except where allowable for certain grant programs. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including internally dedicated resources and all taxes, are reported as general revenues, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund financial statements provide information about the District's funds, including fiduciary funds. Separate statements are presented for the governmental, proprietary, and fiduciary fund categories. The emphasis of fund financial statements is on major funds, each displayed in a separate column. All remaining funds are aggregated and reported as nonmajor funds. Fiduciary funds are aggregated and reported by fund type.

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

The District has the following funds:

I. Governmental Fund Types

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

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

## II. Proprietary Fund (Enterprise Fund)

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

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

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

### Basis of Accounting

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

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

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

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

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

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as needed.

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditure) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

#### Property Taxes

Property taxes collected are recorded as revenues in the fund for which they were levied. The District's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District. The assessed value of property upon which the levy for the 2013 fiscal year was based was \$1,215,112,279.

The tax rates assessed for the year ended June 30, 2013 to finance general fund operations were \$.539 on real estate and \$.547 per \$100 valuation on tangible property.

Taxes are due on October 1 and become delinquent by February 1 following the October 1 levy date. Current tax collections for the year ended June 30, 2013 were 98.09% of the tax levy.

#### In-Kind

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

#### Cash and Cash Equivalents

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

### Inventories

Supplies and materials are charged to expenditures when purchased with the exception of the Proprietary Fund, which records inventory using the accrual basis of accounting. Inventories are stated at the lower of cost or market, on the first-in, first-out basis.

### Capital Assets

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

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

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

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

### Interfund Balances

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

### Budgetary Process

**Budgetary Basis of Accounting:** The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major difference between the budgetary basis and the GAAP basis is that on-behalf payments made by the state for the District are not budgeted. See note (12) for these amounts which were not known by the District at the time the budget was adopted.

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

Each budget is prepared and controlled by the budget coordinator at the revenue and

expenditure function/object level. All budget appropriations lapse at year-end.

#### Accrued Liabilities and Long-Term Obligations

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

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

#### Fund Balance Reserves

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

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

#### Net Position

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

#### Operating Revenues and Expenses

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

overhead. Other expenses are nonoperating.

### Interfund Activity

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

### Estimates

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

### Accumulated Unpaid Sick Leave Benefits

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

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

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

### New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued GASB No. 62, *Codification of Accounting and Financial Reporting Guidance*, that incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The requirements of GASB No. 62 are effective for fiscal year 2013 and thereafter. As a result of implementing this statement, the District was not required to change the reporting of current or past transactions.

The Governmental Accounting Standards Board (GASB) issued GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, that provides financial reporting guidance for deferred outflows and inflows of resources and identifies net position as the residual of all other elements presented in a statement of financial position. The requirements of GASB No. 63 are effective for fiscal year 2013 and thereafter. As a result of implementing this statement, the computation of equity on the Statement of Net Position was changed and equity was retitled as "net position".

The Governmental Accounting Standards Board (GASB) issued GASB No. 65, *Items Previously Reported as Assets and Liabilities* which clarifies the use of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. This statement requires certain items which were previously reported as assets and liabilities to be reported as deferred outflows of resources, deferred inflows of resources and as revenues or expenses. The District has not completed the process of the evaluation of GASB No. 65; however, the District does expect it to have an impact on its future financial statements.

The Governmental Accounting Standards Board (GASB) issued GASB No. 68, *Accounting and Financial Reporting for Pensions*, which changes the way pensions are reported on the financial statements of employers. Employers participating in a multiple-employer cost-sharing plan will be required to report net pension liability on the entity-wide statements for their proportionate share of the liability. Districts will be required to record net pension liability for their share of the liability associated with employees participating in County Employees Retirement System (CERS) as well as any district-sponsored pension plans. There will be little to no impact on the balance sheets of the governmental funds. Additional note disclosures and required supplementary information (RSI) also are addressed in the standard. Kentucky Department of Education will be working with KTRS and Kentucky Retirement Systems in the months ahead to provide guidance for the implementation issues facing school districts. The standard is effective for fiscal year ending June 30, 2015.

**(3) DEBT OBLIGATIONS**

The amounts shown in the accompanying financial statements as debt obligations represents the Board's future obligations to make lease payments relating to the bonds issued by the Boyd County Fiscal Court and the Boyd County School District Finance Corporation ("BCSDFC"), in the original amount of \$41,645,000.

Bonds

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

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

<u>Issue</u>	<u>Original Amount</u>	<u>Interest Rates</u>
Issue of 1996	\$ 425,000	4.60-5.70%
Issue of 2008	5,950,000	4.40-5.75%
Issue of 2009R	1,490,000	4.00-5.25%
Issue of 2009	810,000	1.75-4.20%
Issue of 2011	32,970,000	1.25-6.25%
	<u>\$ 41,645,000</u>	

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

KSBIT Payable

The Kentucky School Boards Insurance Trust (“KSBIT”) notified the District during the year that their self-insurance pools for worker’s compensation and liability insurance were underfunded. As a result, an assessment will be required under a fair methodology to be approved by the Kentucky Department of Insurance, of current and past participating members to fund the deficit and the transfer of liability to a qualified insurer/reinsurer. On June 24, 2013, the KSBIT Board voted to submit a plan to the Kentucky Department of Insurance using the novation option. A novation transfers all existing KSBIT claims and risk to a highly rated reinsurer which will continue to make claims payments. Under the novation method, the District’s liability would be \$306,413. Members will have the option of making a lump-sum payment of their assessment or to take advantage of bond financing for up to 20 years. This plan is still subject to approval and no payment is estimated for the year ending June 30, 2014. The District has recorded this estimated amount in their long-term obligations since ultimate payment is probable and is included as an extraordinary item on the Statement of Activities.

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

<u>Description</u>	<u>Balance at June 30, 2012</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance at June 30, 2013</u>
General obligation bonds - \$41,645,000 originally issued with interest rates ranging from 1.25% to 6.25%	\$ 37,260,000	\$ -	\$ 1,645,000	\$ 35,615,000
KISTA	223,769	-	26,908	196,861
KSBIT Payable	-	306,413	-	306,413
Accumulated unpaid sick leave benefits	535,582	72,142	-	607,724
	<u>\$ 38,019,351</u>	<u>\$ 378,555</u>	<u>\$ 1,671,908</u>	<u>\$ 36,725,998</u>

In connection with the bond issues of 1996, 2008, 2009, 2009R, and 2011, the Board entered into a participation agreement with the Kentucky School Facilities Construction Commission, whereby the Commission has agreed to provide amounts on an annual basis (reflected in the following table) toward the payment of principal and interest requirements on the bonds. The agreement is in effect for a period of two years. The obligation of the Commission to make said payments shall automatically renew every two years, unless the Commission provides the Board notice of its intention not to participate within sixty days prior to the expiration of the two year period.

Assuming no issues are called prior to scheduled maturity and that the Kentucky School Facilities Construction Commission continues to renew its agreement, the minimum obligations at June 30, 2013 for debt service (principal and interest) are as follows:

Year	Kentucky School Facilities Construction Commission		Boyd County School District		Total
	Principal	Interest	Principal	Interest	
2014	\$ 343,108	\$ 230,045	\$ 1,359,719	\$ 971,788	\$ 2,904,660
2015	352,781	220,372	1,387,144	943,885	2,904,182
2016	364,206	208,948	1,416,370	910,933	2,900,457
2017	366,724	197,003	1,453,011	875,579	2,892,317
2018	345,779	184,828	1,494,571	836,448	2,861,626
2019-2023	1,259,831	758,173	8,018,617	3,574,513	13,611,134
2024-2028	1,256,870	473,097	9,263,130	2,177,921	13,171,018
2029-2032	884,970	103,044	6,245,030	473,812	7,706,856
	<u>\$ 5,174,269</u>	<u>\$ 2,375,510</u>	<u>\$ 30,637,592</u>	<u>\$ 10,764,879</u>	<u>\$ 48,952,250</u>

#### (4) ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. At June 30, 2013, this amount totaled \$607,724. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments.

#### (5) RETIREMENT PLANS

##### A. Kentucky Teachers Retirement System:

The Boyd County School District contributes to the Teachers Retirement System of Kentucky ("KTRS"), a cost sharing, multiple-employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees of the public school systems and other public educational agencies in Kentucky. KTRS requires that members of KTRS occupy a position requiring a four (4) year college degree or certification by Kentucky Department of Education (KDE). Job classifications that permit experience to substitute for either of these requirements do not participate in KTRS,

The KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to Kentucky Teachers Retirement System, 479 Versailles Road, Frankfort, Kentucky 40601 or from the KTRS web site at <http://www.ktrs.ky.gov/>.

Funding policy - Contribution rates are established by KRS. Members who established an account in a state retirement system before July 1, 2008 are required to contribute 10.355% of their salaries to KTRS. Members hired after July 1, 2008, contribute 10.855% of their salaries to KTRS. The Commonwealth of Kentucky contributes matching contributions at the rate of 13.105% of salaries for members in a state retirement system before July 1, 2008 and 14.105% for members hired after July 1, 2008. The Federal program for any salaries paid by that program pays the matching contributions.

The District's total payroll for the year was \$20,450,426. The payroll for employees covered under KTRS was \$15,226,343. For the years ended June 30, 2013, 2012, and 2011, the Commonwealth of Kentucky contributed \$1,795,229, \$1,833,976, and \$1,837,038, respectively, to KTRS for the benefit of the District's participating employees. The District's contributions to KTRS for the years ending June 30, 2013, 2012, and 2011 were \$228,621, \$215,449, and \$224,107, respectively, which represents those employees covered by Federal programs.

##### B. Medical Insurance Plan

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

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to members under the age

of 65 through the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

Funding policy - In order to fund the post-retirement healthcare benefit, active member contributions are matched by the state at 0.75% of members' gross salaries. Member contributions are 1.75% of salary. Also, premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan. Additionally, the District pays 1.0% of member's salary.

C. County Employee's Retirement System:

The District contributes to the County Employee's Retirement System ("CERS"), a cost-sharing, multiple-employer defined benefit pension plan administered by the Kentucky General Assembly. It covers substantially all regular full-time members employed in non-hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in the CERS. CERS provides for retirement, disability, and death benefits to plan members. Cost of living adjustments are provided at the discretion of the State legislature.

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

Plan members are required to contribute 5% of their annual creditable compensation, and the District is required to contribute 19.55% of the employee's total compensation. Plan members hired after July 1, 2008 contribute an additional 1% towards health insurance. The contribution requirements of CERS members and the District are established and may be amended by the CERS Board of Trustees. The District's total payroll for the year was \$20,450,426. The payroll for employees covered under CERS was \$5,224,083. The District's contributions to CERS for the years ending June 30, 2013, 2012, and 2011 were \$1,021,288, \$997,179, and \$906,835, respectively, equal to the required contributions for the year.

## **(6) CASH AND CASH EQUIVALENTS**

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

At June 30, 2013, the carrying amount of the Board's cash and cash equivalents was \$3,051,494 and the bank balances totaled \$3,740,674. Of the total bank balances, \$1,056,736 was insured by Federal Depository insurance, with the remainder covered by a collateral agreement and collateral held by the pledging banks' trust departments in the District's name.

General Fund cash and cash equivalents at June 30, 2013 consisted of a money market checking account.

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

(7) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

<u>Governmental Activities</u>	<u>June 30, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2013</u>
<b>Capital Assets, Not Depreciated:</b>				
Land	\$ 2,095,900	\$ -	\$ -	\$ 2,095,900
Construction in progress	28,330,710	6,047,837	-	34,378,547
<b>Capital Assets, Depreciated:</b>				
Land improvements	19,450	-	-	19,450
Buildings and improvements	60,728,909	40,376	-	60,769,285
Technology equipment	3,789,810	45,876	-	3,835,686
Vehicles	3,424,165	5,518	62,972	3,366,711
General	1,290,237	6,843	-	1,297,080
Infrastructure	98,716	-	-	98,716
Totals at historical cost	<u>99,777,897</u>	<u>6,146,450</u>	<u>62,972</u>	<u>105,861,375</u>
Less: accumulated depreciation -				
Land improvements	(6,106)	(973)	-	(7,079)
Buildings and improvements	(43,904,435)	(686,957)	-	(44,591,392)
Technology equipment	(3,406,319)	(170,759)	-	(3,577,078)
Vehicles	(3,097,387)	(183,338)	(62,972)	(3,217,753)
General	(984,907)	(87,583)	-	(1,072,490)
Infrastructure	(39,780)	(4,936)	-	(44,716)
Total accumulated depreciation	<u>(51,438,934)</u>	<u>(1,134,546)</u>	<u>(62,972)</u>	<u>(52,510,508)</u>
Governmental Activities				
Capital Assets - Net	<u>\$ 48,338,963</u>	<u>\$ 5,011,904</u>	<u>\$ -</u>	<u>\$ 53,350,867</u>
<b>Business - Type Activities</b>				
<b>Capital Assets, Depreciated:</b>				
Food service equipment	\$ 687,485	\$ 533,017	\$ -	\$ 1,220,502
Buildings and improvements	63,756	-	-	63,756
Technology equipment	54,833	-	-	54,833
Totals at historical cost	<u>806,074</u>	<u>533,017</u>	<u>-</u>	<u>1,339,091</u>
Less: accumulated depreciation				
Food service and equipment	(655,869)	(28,007)	-	(683,876)
Buildings and improvements	(16,789)	(2,550)	-	(19,339)
Technology equipment	(50,271)	(1,377)	-	(51,648)
Total accumulated depreciation	<u>(722,929)</u>	<u>(31,934)</u>	<u>-</u>	<u>(754,863)</u>
Business-Type Activities				
Capital Assets - Net	<u>\$ 83,145</u>	<u>\$ 501,083</u>	<u>\$ -</u>	<u>\$ 584,228</u>

Depreciation expense was allocated to governmental functions as follows:

Instruction	\$ 875,609
District administration	1,107
School administration	290
Business support services	-
Plant operation & maintenance	89,125
Student transportation	167,630
Community services	785
	<u>\$ 1,134,546</u>

**(8) OPERATING LEASES**

The District has operating lease agreements for use of equipment and various parcels of real estate cancelable annually with the option to renew. The District recognizes the expenditures related to those obligations as lease payments are made. Total rent expenditures under operating type leases were approximately \$188,578.

Future minimum annual lease payments under operating lease agreements are as follows:

<u>Year Ending June 30,</u>	<u>Total</u>
2014	\$ 60,000
2015	60,000
	<u>\$ 120,000</u>

**(9) COMMITMENTS AND CONTINGENCIES**

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

The District has outstanding construction commitments of approximately \$352,194 at June 30, 2013. The District is subject to certain legal proceedings arising from normal business activities. Administrative officials believe that these actions are without merit or that the ultimate liability, if any, resulting from them will not materially affect the accompanying financial statements.

**(10) RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance Fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

The Kentucky School Boards Insurance Trust ("KSBIT") notified the District during the year that their self-insurance pools for worker's compensation and liability insurance were underfunded. As a result, an assessment will be required under a fair methodology to be approved by the Kentucky Department of Insurance, of current and past participating members to fund the deficit and the transfer of liability to a qualified insurer/reinsurer. On June 24, 2013, the KSBIT

Board voted to submit a plan to the Kentucky Department of Insurance using the novation option. A novation transfers all existing KSBIT claims and risk to a highly rated reinsurer which will continue to make claims payments. Under the novation method, the District's liability would be \$306,413. Members will have the option of making a lump-sum payment of their assessment or to take advantage of bond financing for up to 20 years. This plan is still subject to approval and no payment is estimated for the year ending June 30, 2014.

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

**(11) COBRA**

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

**(12) ON-BEHALF PAYMENTS**

For fiscal year 2013, the Commonwealth of Kentucky contributed payments on behalf of the Boyd County School District as follows:

<u>Plan/Description</u>	<u>Amount</u>
Kentucky Teachers Retirement System	\$ 1,795,229
Health and Life Insurance Plans	3,399,724
Technology	66,655
Debt Service	573,156

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.

**(13) TRANSFER OF FUNDS**

The following transfers were made during the year.

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	Capital Outlay Fund	General Fund	Capital Funds Request/Operating	\$ 711,000
Operating	Building Fund	General Fund	Capital Funds Request/Operating	200,000
Debt Service	Building Fund	Construction Fund	Capital Outlay	180,000
Debt Service	Building Fund	Debt Service Fund	Debt Service	2,300,819

**SUPPLEMENTAL INFORMATION**

**BOYD COUNTY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2013**

	<u>Capital Project Funds</u>	<u>Debt Service Funds</u>	<u>Total Non-Major Governmental Funds</u>
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 125,151	\$ 27,413	\$ 152,564
Accounts receivable	-	-	-
Total assets	<u>\$ 125,151</u>	<u>\$ 27,413</u>	<u>\$ 152,564</u>
 <b>LIABILITIES AND FUND BALANCE:</b>			
Liabilities:			
Accounts payable	\$ -	\$ 27,413	\$ 27,413
Total liabilities	<u>-</u>	<u>27,413</u>	<u>27,413</u>
 Fund Balances:			
Assigned	1,049	-	1,049
Restricted	124,102	-	124,102
Total fund balance	<u>125,151</u>	<u>-</u>	<u>125,151</u>
 Total liabilities and fund balances	 <u>\$ 125,151</u>	 <u>\$ 27,413</u>	 <u>\$ 152,564</u>

**BOYD COUNTY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2013**

	Capital Project Funds	Debt Service Funds	Total Non-Major Governmental Funds
<b>REVENUES:</b>			
From local sources -			
Property taxes	\$ 1,389,790	\$ -	\$ 1,389,790
Earnings on investments	5,622	-	5,622
Intergovernmental - State	1,028,300	573,156	1,601,456
Intergovernmental - Federal Subsidy	-	577,360	577,360
Total revenues	<u>2,423,712</u>	<u>1,150,516</u>	<u>3,574,228</u>
<b>EXPENDITURES:</b>			
Current -			
Facilities acquisition and construction	-	-	-
Debt service	-	3,451,335	3,451,335
Total expenditures	<u>-</u>	<u>3,451,335</u>	<u>3,451,335</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>2,423,712</u>	<u>(2,300,819)</u>	<u>122,893</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating transfers in	-	2,300,819	2,300,819
Operating transfers out	<u>(3,391,819)</u>	<u>-</u>	<u>(3,391,819)</u>
Total other financing sources (uses)	<u>(3,391,819)</u>	<u>2,300,819</u>	<u>(1,091,000)</u>
<b>NET CHANGE IN FUND BALANCES</b>	(968,107)	-	(968,107)
<b>FUND BALANCE JUNE 30, 2012</b>	<u>1,093,258</u>	<u>-</u>	<u>1,093,258</u>
<b>FUND BALANCE JUNE 30, 2013</b>	<u>\$ 125,151</u>	<u>\$ -</u>	<u>\$ 125,151</u>

**BOYD COUNTY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NON-MAJOR CAPITAL PROJECT FUNDS  
JUNE 30, 2013**

	SEEK Funds	FSPK Fund	Boyd County School District Finance Corporation	Total Capital Project Funds
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 69,046	\$ 55,056	\$ 1,049	\$ 125,151
Accounts receivable	-	-	-	-
Total assets	<u>\$ 69,046</u>	<u>\$ 55,056</u>	<u>\$ 1,049</u>	<u>\$ 125,151</u>
<b>LIABILITIES AND FUND BALANCE:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances:</b>				
Assigned	-	-	1,049	1,049
Restricted for KSFCC Escrow	69,046	55,056	-	124,102
Total fund balance	<u>69,046</u>	<u>55,056</u>	<u>1,049</u>	<u>125,151</u>
Total liabilities and fund balances	<u>\$ 69,046</u>	<u>\$ 55,056</u>	<u>\$ 1,049</u>	<u>\$ 125,151</u>

**BOYD COUNTY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NON-MAJOR CAPITAL PROJECT FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2013**

	SEEK Funds	FSPK Fund	Boyd County School District Finance Corporation	Total Capital Project Funds
<b>REVENUES:</b>				
From local sources -				
Property taxes	\$ -	\$ 1,389,790	\$ -	\$ 1,389,790
Earnings on investments	3,645	1,991	(14)	5,622
Other local revenues	-	-	-	-
Intergovernmental - State	293,102	735,198	-	1,028,300
Total revenues	<u>296,747</u>	<u>2,126,979</u>	<u>(14)</u>	<u>2,423,712</u>
<b>EXPENDITURES:</b>				
Current -				
Facilities acquisition and construction	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>296,747</u>	<u>2,126,979</u>	<u>(14)</u>	<u>2,423,712</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in	-	-	-	-
Operating transfers out	(711,000)	(2,680,819)	-	(3,391,819)
Total other financing sources (uses)	<u>(711,000)</u>	<u>(2,680,819)</u>	<u>-</u>	<u>(3,391,819)</u>
<b>NET CHANGE IN FUND BALANCES</b>	(414,253)	(553,840)	(14)	(968,107)
<b>FUND BALANCE JUNE 30, 2012</b>	<u>483,299</u>	<u>608,896</u>	<u>1,063</u>	<u>1,093,258</u>
<b>FUND BALANCE JUNE 30, 2013</b>	<u>\$ 69,046</u>	<u>55,056</u>	<u>\$ 1,049</u>	<u>\$ 125,151</u>

BOYD COUNTY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NON-MAJOR DEBT SERVICE FUNDS  
 JUNE 30, 2013

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

**BOYD COUNTY SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NON-MAJOR DEBT SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	1972 & 1978 Bond Fund	1996 Bond Fund	2008 Bond Fund	2009R Bond Fund	2009 Bond Fund	2010 Bond Fund	Totals Debt Service Fund
<b>REVENUES:</b>							
Intergovernmental - State	\$ -	\$ 32,255	\$ 28,561	\$ 159,182	\$ 56,705	\$ 296,453	\$ 573,156
Intergovernmental - Federal subsidy	-	-	-	-	-	577,360	577,360
Interest income	-	-	-	-	-	-	-
Total revenues	<u>-</u>	<u>32,255</u>	<u>28,561</u>	<u>159,182</u>	<u>56,705</u>	<u>873,813</u>	<u>1,150,516</u>
<b>EXPENDITURES:</b>							
Debt service	-	32,255	568,591	159,182	56,705	2,634,602	3,451,335
Total expenditures	<u>-</u>	<u>32,255</u>	<u>568,591</u>	<u>159,182</u>	<u>56,705</u>	<u>2,634,602</u>	<u>3,451,335</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>(540,030)</u>	<u>-</u>	<u>-</u>	<u>(1,760,789)</u>	<u>(2,300,819)</u>
<b>OTHER FINANCING SOURCES (USES):</b>							
Operating transfers in	-	-	540,030	-	-	1,760,789	2,300,819
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>540,030</u>	<u>-</u>	<u>-</u>	<u>1,760,789</u>	<u>2,300,819</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE JUNE 30, 2012</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE JUNE 30, 2013</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**BOYD COUNTY SCHOOL DISTRICT  
STATEMENT OF GRANT, RECEIPTS,  
DISBURSEMENTS AND FUND BALANCE  
HEAD START  
GRANT PROJECT NO. 04-CH-002409/47  
FOR THE YEAR ENDED JUNE 30, 2013**

AMOUNT OF GRANT		<u>\$ 1,439,247</u>
	<u>Budget</u>	<u>Actual</u>
RECEIPTS -		
OCD Funds -		
Amounts awarded this budget period	\$ 1,439,247	\$ 1,437,924
Grantee's contributions	359,812	359,812
	<u>1,799,059</u>	<u>1,797,736</u>
DISBURSEMENTS -		
OCD's Share -		
Head Start Full-Year/Part-Day (PA 20 & 22)		
Direct costs -		
Personnel	901,682	875,133
Fringe benefits	346,915	334,771
Supplies	18,520	29,347
Contractual	152,773	183,139
Travel	14,790	10,607
Other	4,567	4,927
	<u>1,439,247</u>	<u>1,437,924</u>
Grantee's Share -		
Head Start Full-Year/Part-Day (PA 20 & 22)	359,812	359,812
Grantee's Total	<u>359,812</u>	<u>359,812</u>
Total disbursements	<u>1,799,059</u>	<u>1,797,736</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	-	-
ACCOUNTS RECEIVABLE	<u>-</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2013	<u>\$ -</u>	<u>\$ -</u>

**BOYD COUNTY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
SCHOOL ACTIVITY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	Cash Balance June 30, 2012	Receipts	Disbursements	Cash Balance June 30, 2013	Accounts Receivable	Accounts Payable	Deposits Held in Custody for Students June 30, 2013
Boyd County High School	\$ 44,044	\$ 448,034	\$ 444,982	\$ 47,096	\$ -	\$ -	\$ 47,096
Boyd County Middle School	73,373	201,679	206,212	68,840	-	-	68,840
Cannonsburg Elementary	10,767	50,664	46,959	14,472	-	-	14,472
R.O.S.E. Society	3,511	2,331	1,198	4,644	-	-	4,644
Ponderosa Elementary	43,754	58,799	56,706	45,847	-	-	45,847
Summit Elementary	29,623	64,649	71,571	22,701	-	-	22,701
Catlettsburg Elementary	11,861	80,308	82,297	9,872	-	-	9,872
Early Childhood Learning Center	7,103	17,214	16,845	7,472	-	-	7,472
Cannonsburg Day Care	13,361	10,979	10,980	13,360	-	-	13,360
Boyd County Child Care	236,288	274,688	294,723	216,253	6,394	-	222,647
Youth Services Center	10,765	20,831	18,522	13,074	-	-	13,074
Vocational School	16,107	67,216	69,979	13,344	-	-	13,344
	<u>\$ 500,557</u>	<u>\$ 1,297,392</u>	<u>\$ 1,320,974</u>	<u>\$ 476,975</u>	<u>\$ 6,394</u>	<u>\$ -</u>	<u>\$ 483,369</u>

**BOYD COUNTY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
SCHOOL ACTIVITY FUNDS  
BOYD COUNTY HIGH SCHOOL  
FOR THE YEAR ENDED JUNE 30, 2013**

	Cash Balance June 30, 2012	Receipts	Disburse- ments	Cash Balance June 30, 2013	Accounts Receivable (Accounts Payable)	Deposits Held in Custody for Students June 30, 2013
Ag Grant	\$ 18	\$ -	\$ 18	\$ -	\$ -	\$ -
AP Exams	846	3,256	3,976	126	-	126
Apple Fund	6	-	-	6	-	6
Archery	1,573	4,294	4,539	1,328	-	1,328
Art	7	159	14	152	-	152
Arts and Humanities	3	-	-	3	-	3
Athletics	24	102,843	102,821	46	-	46
Band	628	17,726	18,010	344	-	344
Beta Club	6	3,056	2,820	242	-	242
Books	84	-	84	-	-	-
Boys BK Boosters	-	150	-	150	-	150
Boys Golf	764	1,700	1,175	1,289	-	1,289
Bus Transportation	-	10,271	10,271	-	-	-
Business Dept.	10	-	10	-	-	-
Chess	35	-	35	-	-	-
Choir	246	3,145	3,356	35	-	35
Choir Uniforms	290	985	511	764	-	764
Choir (Special Fund)	564	2,000	1,250	1,314	-	1,314
College Fair	279	-	223	56	-	56
College Health	8	3,392	3,375	25	-	25
Correspondence	13	-	-	13	-	13
Cross Country/Track	-	3,605	3,237	368	-	368
Emergency Relief Fund	220	-	218	2	-	2
Emmons Scholarship	-	8,550	3,140	5,410	-	5,410
English Department	227	889	414	702	-	702
English/Kindles	125	-	125	-	-	-
Environmental Science	170	-	170	-	-	-
Ext. School Service	11	-	-	11	-	11
FBLA	456	-	456	-	-	-
FCA	97	-	-	97	-	97
FCCLA	562	8,977	8,975	564	-	564
FMD/Autism	124	2,869	2,517	476	-	476
FFA	2	18	-	20	-	20
First Priority	25	200	189	36	-	36
Foundation Grant	500	-	-	500	-	500
Freshmen	321	2,158	2,361	118	-	118
Friendship Fund	300	2,984	3,183	101	-	101
Future Educators of Am.	8	68	-	76	-	76
General	33	72	-	105	-	105
Gifted	67	-	63	4	-	4
Girls Basketball Boosters	745	24,625	25,370	-	-	-
Girls Golf	-	1,569	505	1,064	-	1,064
History Club	17	-	-	17	-	17
Home Economics	335	3,631	3,649	317	-	317
Human Rights Club	38	-	-	38	-	38
Insurance	-	8	8	-	-	-
Junior Class	628	9,370	8,303	1,695	-	1,695

**BOYD COUNTY SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**SCHOOL ACTIVITY FUNDS**  
**BOYD COUNTY HIGH SCHOOL - CONCLUDED**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Cash Balance June 30, 2012	Receipts	Disburse- ments	Cash Balance June 30, 2013	Accounts Receivable (Accounts Payable)	Deposits Held in Custody for Students June 30, 2013
Key Club	359	4,347	4,241	465	-	465
Kitchen Creations	724	4,777	2,823	2,678	-	2,678
KYA Gifted	13	13,560	13,457	116	-	116
Library	552	675	791	436	-	436
Lions Publishing	1,151	75	754	472	-	472
Locker	-	42,058	41,654	404	-	404
Math	854	893	1,080	667	-	667
Miscellaneous	173	-	172	1	-	1
Mock Trial	9	-	-	9	-	9
Mu Alpha Theta	108	-	-	108	-	108
Newspaper	-	70	53	17	-	17
NJROTC - FR	4,714	3,653	7,159	1,208	-	1,208
NJROTC - UMS	1,122	511	1,633	-	-	-
P.E.	1	-	-	1	-	1
Pep Club	116	245	223	138	-	138
Registrar	53	704	335	422	-	422
Rifle Team	164	-	32	132	-	132
Science	869	3,666	4,358	177	-	177
Science Club	1,016	40	546	510	-	510
Senior Class	1,684	8,459	7,636	2,507	-	2,507
Senior Class Trip Fund	116	32,395	30,598	1,913	-	1,913
Snoddy Scholarship	-	2,000	2,000	-	-	-
Social Studies	13	-	-	13	-	13
Soft Drinks Account	-	1,700	1,652	48	-	48
Softball Boosters	1,199	10,200	11,232	167	-	167
Sophomore Class	178	141	-	319	-	319
Sports Medicine	-	2,245	1,440	805	-	805
Stem Academy	10	500	55	455	-	455
Student Council	69	1,484	1,000	553	-	553
Swimming	-	4,701	4,600	101	-	101
Tennis	-	1,810	1,800	10	-	10
Varsity Cheerleaders	5,549	42,884	48,433	-	-	-
Volleyball Boosters	955	3,689	3,463	1,181	-	1,181
Walmart Credit Card	-	14,251	14,251	-	-	-
World Language Club	861	5,483	6,038	306	-	306
Yearbook	1,472	18,248	15,021	4,699	-	4,699
	<u>34,519</u>	<u>448,034</u>	<u>443,901</u>	<u>38,652</u>	<u>-</u>	<u>38,652</u>
Charitable Gaming	653	-	648	5	-	5
William P Edison Scholarship Fund	1,457	-	433	1,024	-	1,024
William P Edison Scholarship CD	5,047	-	-	5,047	-	5,047
William P Edison Scholarship CD 2	2,368	-	-	2,368	-	2,368
	<u>9,525</u>	<u>-</u>	<u>1,081</u>	<u>8,444</u>	<u>-</u>	<u>8,444</u>
	<u>\$ 44,044</u>	<u>\$ 448,034</u>	<u>\$ 444,982</u>	<u>\$ 47,096</u>	<u>\$ -</u>	<u>\$ 47,096</u>

**BOYD COUNTY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Expenditures
<u>U.S. Department of Education</u>				
Passed through State Department of Education:				
Twenty-First Century Community Learning Centers	84.287	3400002-12	\$ 5,000	\$ 5,000
Twenty-First Century Community Learning Centers	84.287	3400002-10	96,000	46,354
Twenty-First Century Community Learning Centers	84.287	3400002-11	75,000	63,457
				<u>114,811</u>
Title I Grants to Local Educational Agencies	84.010	3100202-10	68,380	818 *
Title I Grants to Local Educational Agencies	84.010	3100202-11	801,589	145,821 *
Title I Grants to Local Educational Agencies	84.010	3100202-12	45,830	30,670 *
Title I Grants to Local Educational Agencies	84.010	3100202-12	814,569	624,995 *
Title I Grants to Local Educational Agencies	84.010	3100202-10	38,816	12,353 *
				<u>814,657</u>
Title I Program for Neglected and Delinquent Children	84.013	3100102-12	160,726	160,726
ARRA - School Improvement Grants	84.388	4100302-09	46,647	3,468
ARRA - School Improvement Grants	84.388	4100302-09	46,647	30,836
				<u>34,304</u>
Edu Jobs	84.410	EJOB00-10	704,595	4,960
Race to the Top	84.413	3960002-11	32,324	13,533
Special Education Cluster (IDEA):				
Special Education Grants to States - IDEA, Part B	84.027	3810002-12	720,824	618,022 *
Special Education Grants to States - IDEA, Part B	84.027	3810002-11	722,911	66,989 *
Special Education Preschool Grants	84.173	3800002-12	41,214	41,214 *
				<u>726,225</u>
Improving Teacher Quality State Grants	84.367	3230002-12	182,485	182,485
Vocational Education Basic Grants to States	84.048	4621032-09	1,737	1
Vocational Education Basic Grants to States	84.048	4621032-11	37,606	37,606
Vocational Education Basic Grants to States	84.048	4621132-10	36,906	2,365
				<u>39,972</u>
Total pass-through State Department of Education				<u>2,091,673</u>

**BOYD COUNTY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONCLUDED)  
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Expenditures
Passed through Morehead State University:				
Appalachian Regional Development	23.001	6883	4,312	1,744
Appalachian Regional Development	23.001	6882	3,000	763
				<u>2,507</u>
Total U.S. Department of Education				<u>2,094,180</u>
<u>U.S. Department of Health and Human Services</u>				
Direct Program:				
Head Start	93.600	6553	1,439,247	1,437,924 *
Total U.S. Department of Health and Human Services				<u>1,437,924</u>
<u>U.S. Department of Defense</u>				
Direct Program:				
Basic, Applied, and Advanced Research in Science and Engineering	12.630	ROTC	-	64,530
Total U.S. Department of Defense		(General Fund)		<u>64,530</u>
<u>U.S. Department of Agriculture</u>				
Pass-through - State Department of Education:				
Cash Assistance:				
Child and Adult Care Food Program	10.558	7790021-13	-	20,142
Child Nutrition Cluster:				
National School Lunch Program	10.555	7750002-13	-	733,574 *
Summer Food Service Program for Children	10.559	7690024-12	-	1,656 *
Summer Food Service Program for Children	10.559	7740023-12	-	15,988 *
School Breakfast Program	10.553	7760005-13	-	267,772 *
Cash Assistance Subtotal				<u>1,018,990</u>
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	10.555	012-0100	-	117,210 *
Total Child Nutrition Cluster				<u>1,136,200</u>
Total U.S. Department of Agriculture				<u>1,156,342</u>
Total Federal Assistance				<u>\$ 4,752,976</u>

\* Denotes a major program.

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**NOTE A - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Boyd County School District under the programs of the federal government for the year ended June 30, 2013. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Government, and Non-Profit Organizations. Because the schedule presents only a selected portion of operations of the Boyd County School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE C - FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2013, the organization had total inventory of \$92,302.



Kelley,  
Galloway &  
Company, PSC

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Boyd County School District (the "District") as of and for the year ended June 30, 2013, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 14, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133; 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.

**Internal Control Over Financial Reporting**

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

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

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

any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Kelley, Balloway & Company, PSC*

October 14, 2013



Kelley,  
Galloway &  
Company, PSC

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

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

**Report on Compliance for Each Major Federal Program**

We have audited Boyd County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2013. Boyd County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

### **Opinion on Each Major Federal Program**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

### **Report on Internal Control Over Compliance**

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

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

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

### **Purpose of this Report**

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

*Kelley, Dalloway & Company, PSC*

October 14, 2013

**BOYD COUNTY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**(A) SUMMARY OF AUDIT RESULTS**

Type of Auditor's report issued: Unmodified

Internal Control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ yes   x   no

Significant deficiency(ies) identified? \_\_\_\_\_ yes   x   none reported

Noncompliance material to the financial statements noted? \_\_\_\_\_ yes   x   no

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ yes   x   no

Significant deficiency (ies) identified? \_\_\_\_\_ yes   x   none reported

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

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

The District had the following major programs with CFDA numbers in parentheses for the year ended June 30, 2013:

- Head Start (93.600)
- Title I (84.010)
- Special Education Cluster (IDEA) (84.027, and 84.173)
- Child Nutrition Cluster (10.553, 10.555, and 10.559)

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

The District qualified as a low risk auditee   x   yes \_\_\_\_\_ no

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

None noted in the current year.

**(C) FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS**

There were no findings in the current year.

**BOYD COUNTY SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

There were no findings in the prior year.

**BOYD COUNTY SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2013**

No corrective action plan needed in the current year.



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Galloway &  
Company, PSC

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

In planning and performing our audit of the financial statements of Boyd County School District (the "District") as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding these matters. This letter does not affect our report dated October 14, 2013, on the financial statements of the District.

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

*Kelley, Galloway & Company, PSC*

October 14, 2013

**BOYD COUNTY SCHOOL DISTRICT**  
**MANAGEMENT LETTER POINTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**2013-1 Proper Payroll Rates**

Statement of Condition: We noted an employee had been paid as a Rank II employee for the past six years even though he should have been paid as a Rank III.

Criteria for Condition: The District should properly complete employment contracts with employees based on their ranking and the contract pay amount be properly entered into the payroll software.

Cause of Condition: Oversight.

Effect of Condition: The employee has been over paid for the past six years.

Recommendation of the Condition: We recommend that more care is taken to ensure that employee contracts are properly completed and entered into the payroll software. Additionally, the District should determine how to best remedy the overpayment to the employee.

Management Response: Upon discovery of this error, a complete review of every payroll record for every employee was conducted. It was found that this individual was the only employee being paid at an incorrect rate. A requirement has been instituted that all payroll records be double checked before being finalized in the Munis financial software program. Payroll records will not be activated until documentation is received verifying Rank and years of experience.

As a point of interest, for many years we have produced a payroll fact sheet from Munis at the beginning of each school year and sent said sheet to each employee. We request that each employee review his or her sheet for accuracy regarding Rank, step, voluntary deductions, etc. The employee whose records were found to be in error had signed off on his sheet in prior years that it was correct. He is now repaying the overage amount he was incorrectly paid in the past.

**2013-2 Food Service Application Verification Review**

Statement of Condition: We noted the incorrect method was used by the Food Service Director in calculating the number of applications to verify as part of the verification review.

Criteria for Condition: On an annual basis, Food Service applications are required to be reviewed using a method based on the District's prior response history.

Cause of Condition: The Food Service Director had the computer calculate the method to use without reviewing to see if the District was eligible to use the selected method.

Effect of Condition: By using the incorrect method of verification, the District did not verify the correct number of applications as required by the grant requirements.

Recommendation of the Condition: We recommend that more care is taken to ensure that the correct method of Food Service application verification is used to ensure proper compliance.

Management Response: This situation has been discussed with the Food Service Director. Guidance will be sought from the School Nutrition staff at the Kentucky Department of Education to assure we are following the proper procedure in the future.

## 2013-3 Activity Funds Disbursements

Statement of Condition: We noted the following instances of violation in the disbursements for the activity funds:

1. Purchase of Gift Cards - We noted the following instances in which the individual activity funds purchased gift cards: 1) The Early Childhood Learning Center purchased \$10 gift cards to Wal-Mart for students with perfect attendance; 2) Cannonsburg Elementary purchased four gift cards to Wal-Mart along with Christmas cards totaling \$75.97; and 3) Boyd County Middle School purchased a \$35 Wal-Mart gift card with no documentation for the gift card's purpose.
2. Purchasing Procedures Ponderosa Elementary - We noted the following instances on purchasing issues at Ponderosa Elementary: 1) We noted that Purchase Order (P.O.) PES165 was created nearly three months after the purchase was made. The purchase occurred on September 18, 2012 and the P.O. was created on December 4, 2012; 2) We noted that P.O. PES182 did not have an invoice for supporting documentation, it was only supported by a quote; 3) We noted two Wal-Mart purchases that did not have a store receipt to support the purchase. The P.O.'s were PES218 and PES230; and 4) We noted two Wal-Mart purchases made on April 11, 2013 that did not have supporting P.O.s. The corresponding check number was 4485.

Criteria for Condition: 1) Activity fund money should not be spent on gift cards as this is interpreted as a check being made out to cash which is prohibited. 2) All activity fund purchases should contain a properly completed P.O. and be accompanied by a supporting receipt for the purchase.

Cause of Condition: Lack of adequate training on the Red Book requirements.

Effect of Condition: Failure to properly follow Red Book purchasing requirements.

Recommendation of the Condition: We recommend that the activity fund record keepers receive proper training on the Red Book to ensure that all procedures are properly understood.

Management Response: On July 31, 2013, training was provided to all district personnel who work with activity fund accounts that are governed by the Kentucky Administrative Regulation known as the "Redbook". This training was conducted by Ramona Gardner of the Kentucky Educational Development Corporation educational cooperative. In this training she discussed the prohibition on purchasing gift cards with activity funds. We will conduct follow up conversations with all of our activity fund supervisors to make sure there is no confusion on this matter. We will also address the documentation requirements for all purchases.

We plan to give Ponderosa Elementary special attention to correct the issues found there and to answer any questions they may have regarding the Redbook, local Board Policies, or state Model Procurement purchasing laws.

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

### Follow-up on Prior Year Recommendations

The prior year condition has been implemented and corrected.