

**BOYLE COUNTY SCHOOL DISTRICT
AUDIT REPORT
YEAR ENDED JUNE 30, 2013**

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September 30, 2013

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Boyle County School District
352 North Danville By-Pass
Danville, KY 40422

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Boyle County School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Boyle County School 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, *Appendix I to the Independent Auditor's Contract – General Audit Requirements*, *Appendix II to the Independent Auditor's Contract – State Audit Requirements*, *Appendix III to the Independent Auditor's Contract – Audit Extension Request*, and *Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Boyle County School District as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof 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 and budgetary comparison information on Pages 4 through 9 and 16 and 17 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 Boyle County School District's basic financial statements. The combining and individual nonmajor fund financial statements, and the statement of receipts, disbursements and fund balance – High School Activity Fund are presented for the purpose of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated September 30, 2013, on our consideration of Boyle 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 reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Boyle County School District's internal control over financial reporting and compliance.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants

BOYLE COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2013

As management of the Boyle County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 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

- The beginning general fund balance for the District was \$2,861,374. The June 30, 2013 general fund balance for the District was \$4,236,838.
- The General Fund had \$20,598,410 in revenue, which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes. There were \$19,089,096 in General Fund expenditures. The General Fund balance increased by \$1,375,464.
- Total taxes collected were \$7,827,976 including property, vehicles and utility taxes. The levied equivalent of \$.05 cents was allocated to the building funds resulting in revenues of \$552,812. These funds are used for retirement of debt service on facilities and/or capital construction projects as set forth by the long range district facility plan.

OVERVIEW OF FINANCIAL STATEMENTS

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

District-wide financial statements. The District-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The statement of net position presents information on all of the District's position 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 district-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed position and related debt are also supported by taxes and intergovernmental revenues. The district-wide financial statements can be found on pages 10-11 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 funds 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 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 district-wide and fund financial statements. The notes to the financial statements can be found on pages 23-38 of this report.

DISTRICT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a District's financial position. In the case of the District, assets exceeded liabilities by \$7,097,010 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 is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Position for the period ending June 30, 2013 and June 30, 2012

A comparison of June 30, 2013 and June 30, 2012 government wide net position is as follows:

	Governmental		Business - Type		Total	
	Activities		Activities		Primary Government	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current and Other Assets	\$ 7,376,399	\$ 4,004,157	\$ 397,052	\$ 447,513	\$ 7,773,451	\$ 4,451,670
Capital Assets	22,458,696	21,431,833	201,009	240,077	22,659,705	21,671,910
Total Assets	<u>29,835,095</u>	<u>25,435,990</u>	<u>598,061</u>	<u>687,590</u>	<u>30,433,156</u>	<u>26,123,580</u>
Current Liabilities	2,190,455	1,752,829	-	3,735	2,190,455	1,756,564
Non-Current Liabilities	21,145,691	17,169,117	-	-	21,145,691	17,169,117
Total Liabilities	<u>23,336,146</u>	<u>18,921,946</u>	<u>-</u>	<u>3,735</u>	<u>23,336,146</u>	<u>18,925,681</u>
Net Position						
Net Investment in Capital Assets	1,280,766	3,697,904	201,009	240,077	1,481,775	3,937,981
Restricted	1,955,938	294,750	397,052	443,778	2,352,990	738,528
Unrestricted	3,262,245	2,521,390	-	-	3,262,245	2,521,390
Total Net Position	<u>\$ 6,498,949</u>	<u>\$ 6,514,044</u>	<u>\$ 598,061</u>	<u>\$ 683,855</u>	<u>\$ 7,097,010</u>	<u>\$ 7,197,899</u>

The following are significant current year transactions that have had an impact on the Statement of Net Position.

- 1) Current assets increased due to an increase in cash. The cash increase is the result of the high school renovation project beginning in fiscal year 2013. Bonds were issued for the renovation; those proceeds were received but most of the expenditures will occur in fiscal year 2014.
- 2) Total liabilities increased due to the issuance of bonds during the year ended June 30, 2013.

The following table presents a comparison of District wide revenues and expenses for the fiscal years ended June 30, 2013 and June 30, 2012.

	Governmental		Business - Type		Total	
	Activities		Activities		Primary Government	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
REVENUES						
Program revenues						
Charges for services	\$ 99,325	\$ 27,265	\$ 523,364	\$ 580,370	\$ 622,689	\$ 607,635
Operating grants and contributions	2,642,609	2,480,912	966,788	843,006	3,609,397	3,323,918
Capital grants	578,902	573,832			578,902	573,832
General revenues						
Property taxes	6,307,785	5,885,933			6,307,785	5,885,933
Motor vehicle taxes	551,245	543,494			551,245	543,494
Utility Taxes	946,557	947,053			946,557	947,053
Other taxes	22,389	15,451			22,389	15,451
Investment earnings	36,224	46,205	2,160	2,922	38,384	49,127
State and formula grants	13,729,305	14,119,854			13,729,305	14,119,854
Miscellaneous	72,595	163,852	5,000		77,595	163,852
Total revenues	<u>24,986,936</u>	<u>24,803,851</u>	<u>1,497,312</u>	<u>1,426,298</u>	<u>26,484,248</u>	<u>26,230,149</u>
EXPENSES						
Program Activities						
Instructional	13,753,171	13,085,774			13,753,171	13,085,774
Student support	1,289,414	1,315,957			1,289,414	1,315,857
Instructional staff Support	2,007,852	2,371,007			2,007,852	2,371,007
District administrative support	795,418	784,226			795,418	784,226
School administrative support	950,960	1,041,161			950,960	1,041,161
Business support	1,387,788	811,718			1,387,788	811,718
Plant operations and maintenance	1,256,576	1,435,556			1,256,576	1,435,556
Student transportation	1,542,824	1,383,650			1,542,824	1,383,650
Community service activities	941,079	1,191,992			941,079	1,191,992
Other	35,485	25,448			35,485	25,448
Interest costs	1,041,464	690,299			1,041,464	690,299
Business-type Activities						
Food service			1,540,708	1,424,536	1,540,708	1,424,536
Adult education			42,398	31,698	42,398	31,698
Total expenses	<u>25,002,031</u>	<u>24,136,788</u>	<u>1,583,106</u>	<u>1,456,234</u>	<u>26,585,137</u>	<u>25,593,022</u>
Increase (decrease) in net position	<u>\$ (15,095)</u>	<u>\$ 667,063</u>	<u>\$ (85,794)</u>	<u>\$ (29,936)</u>	<u>\$ (100,889)</u>	<u>\$ 637,127</u>

On-behalf amounts totaling \$4,429,652 for 2013 and \$4,462,698 for 2012 are included in the above figures. On-behalf payments as defined by KDE are payments the state makes on behalf of employees to the various agencies for health and life insurance, benefits and administration fees.

Governmental Activities

For the governmental program expenses instructional expenses comprise 55% of total expenses, support services equate to 37%, and interest and other expenses make up the remaining 8% of the total.

The cost of program services and the charges for services and grants offsetting those services are shown on the Statement of Activities. The Statement of activities identifies the net cost of services supported by tax revenue and unrestricted intergovernmental revenues (State entitlements).

	Governmental Activities Total		Governmental Activities Net	
	Cost of Services		Cost of Services	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Instructional	\$ 13,753,171	\$ 13,085,774	\$ 11,720,352	\$ 11,233,161
Support Services	9,256,280	9,168,723	8,739,797	8,703,545
Other	951,116	1,191,992	748,447	1,001,606
Interest Costs	<u>1,041,464</u>	<u>690,299</u>	<u>1,041,464</u>	<u>690,209</u>
Total Expenses	<u>\$ 25,002,031</u>	<u>\$ 24,136,788</u>	<u>\$ 22,250,060</u>	<u>\$ 21,628,611</u>

Business-Type Activities

The business type activities at the District are food service and adult education. These programs had total revenues of \$1,497,312 and expenses of \$1,583,106 for fiscal year 2013. These revenues were made up of \$523,364 charges for services, \$966,788 federal and state operating grants, \$2,160 earnings on investments, and \$5,000 miscellaneous revenue. These business-type activities receive no support from tax revenues and as such the District will continue to monitor these activities and make the necessary adjustments to the operations of these activities.

The School District's Funds

The information relative to the School District's Funds starts on page 12. These funds use the modified accrual basis of accounting to account for each funds revenues and expenses. The combined revenue for all governmental funds for 2013 was \$24,992,176 and expenditures were \$30,408,524. The most significant net changes in fund balances were the General Fund with an increase of \$1,375,464, which is primarily due to increase in tax revenues.

General Fund Budgetary Highlights

- The District's general fund revenues for the fiscal year ended June 30, 2012 net of interfund transfers were \$20,598,410.
- The total cost of all general fund programs and services was \$19,089,096.
- General fund budget expenditures to actual shows total expenditures exceeding budget. This was due to on-behalf payments made by the State of Kentucky. Revenues exceeded budget for the same reason. The 2013-2014 budget requires budgeting of on-behalf payments.
- The general fund excess revenues over expenses were \$1,509,314.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the 2012 fiscal year, the District had \$22,659,705, net of depreciation, invested in a broad range of capital assets, including equipment, buses, buildings, and land. Depreciation expense for the year was \$1,491,508 and net capital additions were \$2,479,543.

	Governmental		Business - Type		Total Primary Government	
	Activities (Net of Depreciation)		Activities (Net of Depreciation)		(Net of Depreciation)	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	\$ 169,950	\$ 169,950	\$ -	\$ -	\$ 169,950	\$ 169,950
Construction in Progress	2,207,642	1,712,865			2,207,642	1,712,865
Land Improvements	1,389,717	1,437,213	-	-	1,389,717	1,437,213
Buildings and Improvements	17,864,070	17,042,155	-	-	17,864,070	17,042,155
Technology	207,579	301,355	11,697	16,163	219,276	317,518
Vehicles	523,603	675,921	-	-	523,603	675,921
General Equipment	96,135	92,374	189,312	223,914	285,447	316,288
Total	\$ 22,458,696	\$ 21,431,833	\$ 201,009	\$ 240,077	\$ 22,659,705	\$ 21,671,910

	Governmental		Business - Type		Total	
	Activities		Activities		Primary Government	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Beginning Balance	\$ 21,431,833	\$ 21,157,178	\$ 240,077	\$ 268,169	\$ 21,671,910	\$ 21,425,347
Additions	2,479,543	1,789,858	-	20,359	2,479,543	1,810,217
Retirements	(240)	-	-	-	(240)	(974)
Depreciation	(1,452,440)	(1,515,203)	(39,068)	(47,477)	(1,491,508)	(1,562,680)
Ending Balance	\$ 22,458,696	\$ 21,431,833	\$ 201,009	\$ 240,077	\$ 22,659,705	\$ 21,671,910

Long Term Debt

The District had \$20,948,000 in bonds outstanding at year-end. Bond debt was increased by \$3,528,000. This was a result of bonds issued in 2012-2013. The bonds issued were the 2012 QZAB Bond, 2012 Revenue Bond, and the 2013 Refunding Revenue Bond.

Future Budgetary Implications

In Kentucky, the public schools 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 overall budget. By law, the budget must have a minimum 2% contingency. The District has adopted a budget for 2013-2014 with an approximate 11% contingency (\$3,104,625).

The Kentucky Department of Education and General Assembly continue to mandate unfunded expenditures and further reduce the state revenues to school districts in an effort to balance the budget for the Commonwealth of Kentucky. In times of declining revenues and increased expenditures, the district continues to monitor staffing and operational expenditures to maintain a balanced budget.

For the 2013/2014 school year the district has the following plans for building improvements: Boyle County Middle School Renovation completed in fall of 2013.

The district currently anticipates utilizing the QZAB bond to fund the middle school building renovation project. The approximate cost of the project is between 3.7 and 3.9 million dollars. The bonding potential is strictly related to funds available in Capital Outlay and Building funds and in no way minimizes funds that are designated for direct instructional services.

Boyle County School District has initiated a BG-1 to begin work on an access road for Woodlawn Elementary School. The road is budgeted and \$249,770 and is expected to be budgeted through general fund expenditures.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers and other interested readers with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact the District's Superintendent or Finance Director.

BOYLE COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Cash & Cash Equivalents - Note C	6,696,840	283,644	6,980,484
Accounts Receivable:			
Taxes - Current	115,228		115,228
Taxes - Delinquent	15,898		15,898
Accounts	21,000		21,000
Intergovernmental - State	13,500		13,500
Intergovernmental - Federal	160,614	69,511	230,125
Bond Issue Costs	353,319		353,319
Inventories for Consumption		43,897	43,897
Total Current Assets	7,376,399	397,052	7,773,451
Noncurrent Assets - Note G			
Land	169,950		169,950
Construction In Progress	2,207,642		2,207,642
Buildings & Improvements	36,740,244		36,740,244
Furniture & Equipment	7,571,189	902,162	8,473,351
Less: Accumulated Depreciation	(24,230,329)	(701,153)	(24,931,482)
Total Noncurrent Assets	22,458,696	201,009	22,659,705
TOTAL ASSETS	29,835,095	598,061	30,433,156
LIABILITIES:			
Current Liabilities:			
Accounts Payable	465,858		465,858
Accrued Salaries & Sick Leave - Note A	210,732		210,732
Advances from Grantors	153,714		153,714
Bond Obligations - Note E	1,164,665		1,164,665
Capital Lease Obligation - Note F	74,858		74,858
Accrued Interest Payable	120,628		120,628
Total Current Liabilities	2,190,455	0	2,190,455
Noncurrent Liabilities:			
KSBIT Assessment - Note S	381,225		381,225
Bond Obligations - Note E	19,783,335		19,783,335
Capital Lease Obligation - Note F	155,072		155,072
Accrued Sick Leave - Note A	826,059		826,059
Total Noncurrent Liabilities	21,145,691		21,145,691
TOTAL LIABILITIES	23,336,146	0	23,336,146
NET POSTION:			
Net Investment in Capital Assets	1,280,766	201,009	1,481,775
Restricted for:			
Capital Projects	1,953,394		1,953,394
Debt Service	2,544		2,544
Other Purposes		397,052	397,052
Unrestricted	3,262,245		3,262,245
TOTAL NET POSITION	6,498,949	598,061	7,097,010
TOTAL LIABILITIES AND NET POSITION	29,835,095	598,061	30,433,156

See independent auditor's report and accompanying notes to financial statements.

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

FUNCTION/PROGRAMS	PROGRAM REVENUES			NET(EXPENSE) REVENUE AND CHANGES IN NET POSITION			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
GOVERNMENTAL ACTIVITIES:							
Instructional	13,753,171	99,325	1,933,494		(11,720,352)		(11,720,352)
Support Services:							
Student Support Services	1,289,414		70,906		(1,218,508)		(1,218,508)
Staff Support Services	2,007,852		404,759		(1,603,093)		(1,603,093)
District Administration	795,418				(795,418)		(795,418)
School Administration	950,960				(950,960)		(950,960)
Business Support Services	1,387,788				(1,387,788)		(1,387,788)
Plant Operation & Maintenance	1,256,576		11,234		(1,245,342)		(1,245,342)
Student Transportation	1,542,824		29,584		(1,513,240)		(1,513,240)
Central Office	25,448				(25,448)		(25,448)
Community Service Operations	941,079		192,632		(748,447)		(748,447)
Facilities Acquisition & Construction	10,037			578,902	568,865		568,865
Interest on Long-Term Debt	1,041,464				(1,041,464)		(1,041,464)
TOTAL GOVERNMENTAL ACTIVITIES	25,002,031	99,325	2,642,609	578,902	(21,681,195)		(21,681,195)
BUSINESS-TYPE ACTIVITIES:							
Food Service	1,540,708	489,507	959,944			(91,257)	(91,257)
Adult Education	42,398	33,857	6,844			(1,697)	(1,697)
TOTAL BUSINESS-TYPE ACTIVITIES	1,583,106	523,364	966,788	0	0	(92,954)	(92,954)
TOTAL SCHOOL DISTRICT	26,585,137	622,689	3,609,397	578,902	(21,681,195)	(92,954)	(21,774,149)
GENERAL REVENUES:							
Taxes					7,827,976		7,827,976
State Aid - Formula Grants					13,729,305		13,729,305
Investment Earnings					36,224	2,160	38,384
Miscellaneous					72,835	5,000	77,835
SPECIAL ITEMS:							0
Gain(Loss) Sale of Assets					(240)		(240)
Loss Compensation							0
TOTAL GENERAL & SPECIAL					21,666,100	7,160	21,673,260
CHANGE IN NET POSITION					(15,095)	(85,794)	(100,889)
NET POSITION - BEGINNING					6,514,044	683,855	7,197,899
NET POSITION - ENDING					6,498,949	598,061	7,097,010

See independent auditor's report and accompanying notes to financial statements.

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

	GENERAL FUND	SPECIAL REVENUE	CONSTRUCTION FUND	DEBT SERVICE	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:						
Cash & Cash Equivalents	4,298,293	(20,400)	2,330,182	2,544	86,221	6,696,840
Accounts Receivable:						
Taxes - Current	115,228					115,228
Taxes - Delinquent	15,898					15,898
Accounts	21,000					21,000
Intergovernmental - State		13,500				13,500
Intergovernmental - Federal		160,614				160,614
TOTAL ASSETS	<u>4,450,419</u>	<u>153,714</u>	<u>2,330,182</u>	<u>2,544</u>	<u>86,221</u>	<u>7,023,080</u>
LIABILITIES AND FUND BALANCE:						
Liabilities:						
Accounts Payable	2,849		463,009			465,858
Accrued Salaries & Sick Leave	210,732					210,732
Deferred Revenues		153,714				153,714
Total Liabilities	<u>213,581</u>	<u>153,714</u>	<u>463,009</u>	<u>0</u>	<u>0</u>	<u>830,304</u>
Fund Balance:						
Restricted for:						
Capital Projects			1,867,173		86,221	1,953,394
Debt Service				2,544		2,544
Committed for:						
Accrued Sick Leave	826,059					826,059
Assigned:						
Purchase Obligations	200					200
Unassigned	3,410,579					3,410,579
Total Fund Balance	<u>4,236,838</u>	<u>0</u>	<u>1,867,173</u>	<u>2,544</u>	<u>86,221</u>	<u>6,192,776</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>4,450,419</u>	<u>153,714</u>	<u>2,330,182</u>	<u>2,544</u>	<u>86,221</u>	<u>7,023,080</u>

See independent auditor's report and accompanying notes to financial statements.

BOYLE COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

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

TOTAL GOVERNMENTAL FUND BALANCE		6,192,776
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of Capital Assets	46,689,025	
Accumulated Depreciation	<u>(24,230,329)</u>	22,458,696
Bond Issuance Costs		353,319
Long-term liabilities (including bonds payable) are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Long-term liabilities at year end consist of:		
Bonds Payable	(20,948,000)	
Capital Lease Obligation	(229,930)	
Accrued Interest on Bonds	(120,628)	
KISBIT Assessment	(381,225)	
Accrued Sick Leave	<u>(826,059)</u>	<u>(22,505,842)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		<u><u>6,498,949</u></u>

See independent auditor's report and accompanying notes to financial statements.

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

	GENERAL	SPECIAL REVENUE	CONSTRUCTION FUND	DEBT SERVICE	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:						
Taxes	7,275,164				552,812	7,827,976
Earnings on Investments	25,586	270	10,036		332	36,224
Intergovernmental - State	13,251,196	1,037,868		555,945	578,902	15,423,911
Intergovernmental - Federal	5,015	1,521,890				1,526,905
Other Sources	41,449	135,711				177,160
TOTAL REVENUES	20,598,410	2,695,739	10,036	555,945	1,132,046	24,992,176
EXPENDITURES:						
Instructional	10,542,265	2,004,818				12,547,083
Support Services:						
Student Support Services	894,364	68,322				962,686
Staff Support Services	1,582,462	419,690				2,002,152
District Administration	787,299					787,299
School Administration	949,756					949,756
Business Support Services	997,008		75,283	39,263		1,111,554
Plant Operation & Maintenance	1,236,827	11,648				1,248,475
Student Transportation	1,358,340	30,675				1,389,015
Central Office						0
Community Service Operations	740,775	199,738				940,513
Adult Education Operations						0
Facilities Acquisition & Construction			2,455,575			2,455,575
Debt Service:						
Principal				5,013,999		5,013,999
Interest				1,000,417		1,000,417
TOTAL EXPENDITURES	19,089,096	2,734,891	2,530,858	6,053,679	0	30,408,524
EXCESS(DEFICIT) REVENUES OVER EXPENDITURES	1,509,314	(39,152)	(2,520,822)	(5,497,734)	1,132,046	(5,416,348)
OTHER FINANCING SOURCES(USES):						
Proceeds from Sale of Bonds			4,143,000	4,315,000		8,458,000
Proceeds from Sale of Assets						0
Operating Transfers In - Note O		39,152	51,522	1,182,545		1,273,219
Operating Transfers Out - Note O	(133,850)				(1,144,369)	(1,278,219)
TOTAL OTHER FINANCING SOURCES	(133,850)	39,152	4,194,522	5,497,545	(1,144,369)	8,453,000
NET CHANGE IN FUND BALANCES	1,375,464	0	1,673,700	(189)	(12,323)	3,036,652
FUND BALANCES - BEGINNING	2,861,374	0	193,473	2,733	98,544	3,156,124
FUND BALANCES - ENDING	4,236,838	0	1,867,173	2,544	86,221	6,192,776

See independent auditor's report and accompanying notes to financial statements.

BOYLE 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

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

NET CHANGES - GOVERNMENTAL FUNDS		3,036,652
<p>Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital exceeds depreciation expense for the year.</p>		
Depreciation Expense	(1,452,440)	
Capital Outlays	<u>2,479,543</u>	1,027,103
<p>Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.</p>		
Principal Paid	5,013,999	
Bond Proceeds	<u>(8,458,000)</u>	(3,444,001)
<p>Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.</p>		
Amortization-Bond Issuance Costs	(39,422)	
Bond Issuance Cost On New Bond Issue	114,546	
Accrued Interest Payable	(1,626)	
KSBIT Assessment	(381,225)	
Accrued Sick Leave	<u>(326,882)</u>	(634,609)
<p>In the statement of activities the net gain on the sale/disposal of assets is reported in whereas in the governmental funds the proceeds from the sale increases financial resources. Thus the change in net position differs from change in fund balances by the cost of the asset sold.</p>		
Loss on Sale of Assets		<u>(240)</u>
CHANGES - NET POSITION GOVERNMENTAL FUNDS		<u><u>(15,095)</u></u>

See independent auditor's report and accompanying notes to financial statements.

BOYLE COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes	6,867,097	6,867,097	7,275,164	408,067
Other Local Sources	20,000	20,000	25,586	5,586
State Sources	9,499,336	9,499,336	13,251,196	3,751,860
Federal Sources			5,015	5,015
Other Sources	31,000	31,000	41,449	10,449
TOTAL REVENUES	16,417,433	16,417,433	20,598,410	4,180,977
EXPENDITURES:				
Instructional	7,931,423	7,929,136	10,542,265	(2,613,129)
Student Support Services	778,053	778,052	894,364	(116,312)
Staff Support Services	1,601,270	1,601,270	1,582,462	18,808
District Administration	723,360	753,085	787,299	(34,214)
School Administration	880,484	880,484	949,756	(69,272)
Business Support Services	939,139	894,452	997,008	(102,556)
Plant Operation & Maintenance	1,456,334	1,425,729	1,236,827	188,902
Student Transportation	1,265,650	1,295,755	1,358,340	(62,585)
Central Office	1,288	1,388		1,388
Community Service Operations	781,249	781,249	740,775	40,474
Facility Acquisition & Construction				0
Other	2,421,380	2,439,030	133,850	2,305,180
TOTAL EXPENDITURES	18,779,630	18,779,630	19,222,946	(443,316)
NET CHANGE IN FUND BALANCE	(2,362,197)	(2,362,197)	1,375,464	3,737,661
FUND BALANCES - BEGINNING	2,362,197	2,362,197	2,861,374	0
FUND BALANCES - ENDING	0	0	4,236,838	3,737,661

On-behalf payments totaling \$3,682,069 are not budgeted by the Boyle County School District.

See independent auditor's report and accompanying notes to financial statements.

BOYLE 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

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes				
Other Local Sources			39,422	39,422
State Sources	1,036,345	1,117,624	1,037,868	(79,756)
Federal Sources	1,314,181	1,314,157	1,521,890	207,733
Other Sources	29,153	29,153	135,711	106,558
TOTAL REVENUES	<u>2,379,679</u>	<u>2,460,934</u>	<u>2,734,891</u>	<u>273,957</u>
EXPENDITURES:				
Instructional	1,569,430	1,630,038	2,004,818	(374,780)
Student Support Services	64,220	61,581	68,322	(6,741)
Staff Support Services	516,378	464,001	419,690	44,311
District Administration			0	0
School Administration			0	0
Business Support Services			0	0
Plant Operation & Maintenance	9,000	9,000	11,648	(2,648)
Student Transportation	27,474	22,585	30,675	(8,090)
Central Office			0	0
Community Service Operations	193,177	193,177	199,738	(6,561)
Facility Acquisition & Construction			0	0
Other		80,552	0	80,552
TOTAL EXPENDITURES	<u>2,379,679</u>	<u>2,460,934</u>	<u>2,734,891</u>	<u>(273,957)</u>
NET CHANGE IN FUND BALANCE	0	0	0	0
FUND BALANCES - BEGINNING	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCES - ENDING	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>

See accompanying auditor's report and accompanying notes to financial statements.

BOYLE COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	ENTERPRISE FUNDS		
	FOOD SERVICE	ADULT EDUCATION	TOTAL
ASSETS:			
Current Assets:			
Cash & Cash Equivalents	283,644		283,644
Accounts Receivable	69,511		69,511
Inventories for Consumption	43,897		43,897
Total Current Assets	397,052	0	397,052
Noncurrent Assets:			
Furniture & Equipment	888,734	13,428	902,162
Less: Accumulated Depreciation	(687,762)	(13,391)	(701,153)
Total Noncurrent Assets	200,972	37	201,009
TOTAL ASSETS	598,024	37	598,061
LIABILITIES:			
Current Liabilities:			
Account Payable			0
Total Current Liabilities	0	0	0
Net Position:			
Net Investment in Capital Assets	200,972	37	201,009
Restricted	397,052		397,052
Total Net Position	598,024	37	598,061
TOTAL LIABILITIES AND NET POSITION	598,024	37	598,061

See independent auditor's report and accompanying notes to financial statements.

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

	ENTERPRISE FUNDS		
	FOOD SERVICE	ADULT EDUCATION	TOTAL
OPERATING REVENUES:			
Lunchroom Sales	489,507		489,507
Other Operating Revenues		33,857	33,857
TOTAL OPERATING REVENUES	489,507	33,857	523,364
OPERATING EXPENSES:			
Salaries & Benefits	763,041	26,362	789,403
Contract Services	52,765	7,302	60,067
Materials & Supplies	685,527	8,302	693,829
Depreciation - Note G	38,636	432	39,068
Other Operating Expenses	739		739
TOTAL OPERATING EXPENSES	1,540,708	42,398	1,583,106
OPERATING INCOME(LOSS)	(1,051,201)	(8,541)	(1,059,742)
NONOPERATING REVENUES(EXPENSES):			
Federal Grants	682,379		682,379
State Grants	198,436	6,844	205,280
Donated Commodities	79,129		79,129
Interest Income	2,160		2,160
Gain (Loss) Sale of Assets			0
Transfers In		5,000	5,000
TOTAL NONOPERATING REVENUE	962,104	11,844	973,948
INCOME(LOSS) BEFORE CAPITAL CONTRIBUTIONS	(89,097)	3,303	(85,794)
CAPITAL CONTRIBUTIONS	0	0	0
CHANGE IN NET POSITION	(89,097)	3,303	(85,794)
TOTAL NET POSITION - BEGINNING	687,121	(3,266)	683,855
TOTAL NET POSITION - ENDING	598,024	37	598,061

See independent auditor's report and accompanying notes to financial statements.

BOYLE COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	FOOD SERVICE	ADULT EDUCATION
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from:		
Lunchroom Sales	489,507	
Other Activities		33,857
Cash Paid to/for:		
Employees	(578,247)	(19,518)
Supplies	(587,649)	(8,592)
Other Activities	(53,504)	(7,302)
Net Cash Used by Operating Activities	(729,893)	(1,555)
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:		
Transfer from General Fund		5,000
Federal Grants	632,156	
State Grants	13,642	
Net Cash Provided by Non-Capital and Related Financing Activities	645,798	5,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases of Capital Assets	0	0
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipt of Interest Income	2,160	0
Net Increase (Decrease) in Cash and Cash Equivalents	(81,935)	3,445
Balances, Beginning of Year	365,579	(3,445)
Balances, End of Year	283,644	0
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating Income (Loss)	(1,051,201)	(8,541)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities		
Depreciation	38,636	432
State On-Behalf Payments	184,794	6,844
Donated Commodities	79,129	
Change in Assets and Liabilities:		
Accounts Receivable		
Inventory	18,749	
Accounts Payable		(290)
Net Cash Used by Operating Activities	(729,893)	(1,555)
Schedule of Non-Cash Transactions:		
Donated Commodities	79,129	0
State On-Behalf Payments	184,794	6,844

See independent auditor's report and accompanying notes to financial statements.

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

	<u>PRIVATE PURPOSE TRUST FUNDS</u>	<u>AGENCY FUND</u>
ASSETS:		
Cash and Cash Equivalents	17,799	478,451
Accounts Receivable	94	
Investment Income Receivable		
Loans Receivable		
Investments - Note D		
TOTAL ASSETS	<u>17,893</u>	<u>478,451</u>
LIABILITIES:		
Accounts Payable		
Due to Other		37,693
Due to Student Groups		440,758
TOTAL LIABILITIES	<u>0</u>	<u>478,451</u>
NET POSITION HELD IN TRUST	<u>17,893</u>	<u>0</u>

See independent auditor's report and accompanying notes to financial statements.

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

	<u>PRIVATE PURPOSE TRUST FUNDS</u>
ADDITIONS:	
Contributions and Donations	16,125
DEDUCTIONS:	
Benefits Paid	<u>11,173</u>
Changes in Net Position	4,952
NET POSITION - BEGINNING OF YEAR	<u>12,941</u>
NET POSITION - END OF YEAR	<u><u>17,893</u></u>

See independent auditor's report and accompanying notes to financial statements.

BOYLE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

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

Boyle County Board of Education Finance Corporation – In a prior year, the Board of Education resolved to authorize the establishment of the Boyle County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the “Corporation”) as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation’s Board of Directors.

Basis of Presentation

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

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

The District has the following funds:

I. Governmental Fund Types

- A. The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- B. The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trust 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 the 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 on Pages 43 and 44 in the Schedule of Expenditures of Federal Awards and related notes. 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 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.

D. 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 cost; and for the payment of interest on generally obligation notes payable, as required by Kentucky law.

II. Proprietary Fund Types (Enterprise Fund)

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

The District applies all GASB pronouncements to proprietary funds 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 Type (Agency and Private Purpose Trust Funds)

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

Basis of Accounting

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

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

Proprietary Fund operating revenues are defined as revenues received from the direct purchases of products and services (i.e. food service). Non-operating revenues are not related to direct purchases of products; for the District, these revenues are typically investment income and state and federal grant revenues.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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 resource are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

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

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

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

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

Property Taxes

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

The property tax rates assessed for the year ended June 30, 2013, to finance the General Fund operations were \$0.609 per \$100 valuation for real property, \$0.609 per \$100 valuation for business personal property, and \$0.539 per \$100 valuation for motor vehicles.

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

Capital Assets

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Description	Governmental Activities Estimated Lives
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

Interfund Balances

On fund financial statements, receivables and payable 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.

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will received 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 amount “accumulated sick leave payable” in the general fund. The noncurrent portion of the liability is reported as a reserve of fund balance.

Budgetary Process

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

Cash and Cash Equivalents

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

Inventories

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

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

The food service fund uses the specific identification method.

Investments

The private purpose trust funds record investments at their quoted market prices. All realized gains and losses and changes in fair value are recorded in the Statement of Changes in Fiduciary Net Position.

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, 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

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the District classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Superintendent.

Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The District committed the following fund balance type by taking the following action:

<u>Fund Balance Type</u>	<u>Amount</u>	<u>Action</u>
General Fund	\$826,059	Long-Term Sick Leave Commitment

The District uses *restricted/committed* amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as grant agreements requiring dollar for dollar spending. Additionally, the District would first use *committed*, then *assigned*, and lastly *unassigned* amounts for unrestricted fund balance when expenditures are made.

The District does not have a formal minimum fund balance policy.

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Special Revenue	State, Local and Federal Grants

Net Position

Net Position represent the difference between assets and liabilities. Net investment in capital assets, 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 funds. For the School District, those revenues are primarily charges for meals provided by the various schools.

Contributions of Capital

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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.

Effective for the fiscal year ending June 30, 2013, the Board adopted GASB Statement 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 1989, FASB and AICPA Pronouncements*, which codifies all applicable GASB, Financial Accounting Standards Board (“FASB”), and Accounting Principles Board opinions dated according to the title of the statement. Additionally, for fiscal year ending June 30, 2013, the Board has implemented GASB Statement 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*.

NOTE B – ESTIMATES

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

NOTE C – CASH AND CASH EQUIVALENTS

Custodial Credit Risk - Deposits. Custodial Credit is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District’s policy is to have all deposits secured by pledged securities.

At year-end, the carrying amount of the District’s total cash and cash equivalents was \$7,476,734. Of the total cash balance, \$252,544 was covered by Federal Depository Insurance, \$7,224,190 was covered by collateral agreements and collateral held by the pledging banks’ trust departments in the District’s name. Cash equivalents are funds temporarily invested in securities with maturity of 90 days or less.

Cash and cash equivalents at June 30, 2013, consisted of the following:

	Bank Balance	Book Balance
Bank of New York	2,544	2,544
Farmers National Bank	<u>8,800,664</u>	<u>7,474,190</u>
	<u>8,803,208</u>	<u>7,476,734</u>

Breakdown per financial statements:

Governmental Funds	6,696,840
Proprietary Funds	<u>283,644</u>
Subtotal	6,980,484
Private Purpose Trust Funds	17,799
Agency Funds	<u>478,451</u>
Total Cash and Cash Equivalents All Funds	<u>7,476,734</u>

NOTE D – INVESTMENTS

The District held no investments on June 30, 2013.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E – LONG TERM OBLIGATIONS

The amount shown in the accompanying financial statements as bond obligations represents the District's future obligations to make payments relating to the bonds issued by the Boyle County School District Finance Corporation aggregating \$20,948,000.

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

1994	250,000	3.75% - 6.00%
2004	515,000	3.00% - 5.00%
2005	4,760,000	2.44% - 4.44%
2007	1,490,000	3.60% - 4.00%
2008	1,095,000	2.50% - 3.25%
2010	2,765,000	4.50%
2010 Refunding	5,395,000	1.00% - 3.00%
2011	2,095,000	1.00% - 4.25%
2012	1,320,000	2.83%
2012QZAB	2,823,000	4.08%
2013 Refunding	4,315,000	1.91% - 2.00%

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

The District has "participation agreements" with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local schools districts in meeting school construction needs. The table sets forth the amount to be paid by the Board and the Commission for each year until maturity of all bonds issued. The Kentucky School Construction Commission's participation is limited to the biennial budget period of the Commonwealth of Kentucky with the right reserved by the Kentucky School Construction Commission to terminate the commitment to pay the agreed participation every two years. The obligation of the Kentucky School Construction Commission to make the agreed payments automatically renews each two years for a period of two years unless the Kentucky School Construction Commission gives notice if its intention not to participate not less than sixty days prior to the end of its biennium.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the maturity, the minimum obligations of the District, including amounts to be paid by the Commission at June 30, 2013, for debt service (principal and interest) are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Participation</u>	<u>District's Portion</u>
2013-14	1,164,665	628,546	676,786	1,116,425
2014-15	1,179,665	603,782	667,367	1,116,081
2015-16	1,204,665	577,911	660,004	1,122,573
2016-17	1,229,665	550,529	659,801	1,120,394
2017-18	1,234,665	523,069	644,272	1,113,462
2018-19	1,234,665	486,167	598,620	1,122,213
2019-20	1,269,665	463,265	613,736	1,119,194
2020-21	1,794,665	428,120	613,924	1,608,861
2021-22	1,199,665	381,808	473,663	1,107,810
2022-23	1,234,665	352,868	478,945	1,108,588
2023-24	1,264,665	322,738	478,160	1,109,243
2024-25	1,249,665	291,083	421,239	1,119,509
2025-26	549,665	260,533	373,709	436,489
2026-27	824,665	242,670	373,709	693,626
2027-28	769,665	215,308	294,641	690,332
2028-29	829,665	188,908	294,641	723,932
2029-30	859,665	161,108	294,640	726,133
2030-31	414,665	131,720	238,629	307,756
2031-32	254,665	120,120	126,578	248,207
2032-33	254,665	115,320	126,578	243,407
2033-34	94,665	112,920	0.00	207,585
2034-35	94,665	112,920	0.00	207,585
2035-36	<u>740,365</u>	<u>112,920</u>	<u>0.00</u>	<u>853,285</u>
	<u>20,948,000</u>	<u>7,384,330</u>	<u>9,109,639</u>	<u>19,222,690</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Long-term liability activity for the year ended June 30, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government					
Governmental Activities:					
Revenue Bonds Payable	17,420,000	8,458,000	4,930,000	20,948,000	1,164,665
Capital Lease Obligations	313,929	0	83,999	229,930	74,858
Accrued Sick Leave	<u>758,618</u>	<u>381,423</u>	<u>103,767</u>	<u>1,036,274</u>	<u>210,215</u>
Governmental Activities					
Long-Term Liabilities	<u>18,492,547</u>	<u>8,839,423</u>	<u>5,117,766</u>	<u>22,214,204</u>	<u>1,449,738</u>

NOTE F - CAPITAL LEASE PAYABLE

The District is the lessee of buses and technology equipment under capital leases expiring in various years through 2018. The assets and liabilities under capital leases are recorded at the present value of the minimum lease payments or the fair value of the asset. The assets are amortized over their estimated productive lives. Amortization of assets under capital leases is included in depreciation expense for fiscal year 2013.

The following is a summary of property held under capital leases:

<u>Classes of Property</u>	<u>Book Value as of June 30, 2013</u>
Buses	612,076
Technology Equipment	163,730
Accumulated Amortization	(449,112)
	<u>326,694</u>

The following is a schedule by years of the future principal payments under capital leases as of June 30, 2013:

<u>Year Ending June 30,</u>	<u>Capital Lease Payable</u>
2014	83,305
2015	67,096
2016	50,422
2017	32,750
2018	<u>16,489</u>
Net minimum lease payments	250,062
Amount representing interest	<u>(20,132)</u>
Present value of net minimum lease payments	<u>229,930</u>

Interest rates on capitalized leases vary from 1.00% to 3.625%. The capital leases provide for the buses and technology equipment to revert to the District at the end of the respective lease with no further payment for purchase.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - CAPITAL ASSETS

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

	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>RETIREMENTS</u>	<u>ENDING BALANCE</u>
GOVERNMENTAL ACTIVITIES:				
Non-Depreciable Assets:				
Land	169,950			169,950
Construction In Progress	1,712,865	464,777		2,207,642
Depreciable Assets:				
Land Improvements	1,522,505			1,522,505
Buildings & Building Improvements	33,266,978	1,950,761		35,217,739
Technology Equipment	2,649,828		250,017	2,399,811
Vehicles	3,229,833			3,229,833
General Equipment	1,907,540	34,005		1,941,545
TOTAL AT HISTORICAL COST	<u>44,459,499</u>	<u>2,479,543</u>	<u>250,017</u>	<u>46,689,025</u>
LESS ACCUMULATED DEPRECIATION FOR:				
Land Improvements	85,292	47,496		132,788
Buildings & Building Improvements	16,224,823	1,128,846		17,353,669
Technology Equipment	2,348,473	93,536	249,777	2,192,292
Vehicles	2,553,912	152,318		2,706,230
General Equipment	1,815,166	30,244		1,845,410
TOTAL ACCUMULATED DEPRECIATION	<u>23,027,666</u>	<u>1,452,440</u>	<u>249,777</u>	<u>24,230,329</u>
GOVERNMENTAL ACTIVITIES CAPITAL NET	<u>21,431,833</u>	<u>1,027,103</u>	<u>(240)</u>	<u>22,458,696</u>
PROPRIETARY ACTIVITIES:				
Depreciable Assets:				
Technology Equipment	48,134		1,375	46,759
General Equipment	857,602		2,199	855,403
TOTALS AT HISTORICAL COST	<u>905,736</u>	<u>-0-</u>	<u>3,574</u>	<u>902,162</u>
LESS ACCUMULATED DEPRECIATION FOR:				
Technology Equipment	31,971	4,466	1,375	35,062
General Equipment	633,688	34,602	2,199	666,091
TOTAL ACCUMULATED DEPRECIATION	<u>665,659</u>	<u>39,068</u>	<u>3,574</u>	<u>701,153</u>
PROPRIETARY ACTIVITIES CAPITAL NET	<u>240,077</u>	<u>(39,068)</u>	<u>-0-</u>	<u>201,009</u>
DEPRECIATION EXPENSE CHARGED TO GOVERNMENTAL FUNCTIONS AS FOLLOWS:				
Instructional				913,210
Student Support Services				326,728
Staff Support Services				5,700
District Administration				8,119
School Administration				1,204
Business Support Services				9,555
Plant Operation & Maintenance				8,101
Student Transportation				153,809
Central Office				25,448
Community Service Operations				566
TOTAL				<u>1,452,440</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE H – RETIREMENT PLANS

Certified employees are covered under 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 and beneficiaries of employees of the public school systems and public educational agencies in Kentucky.

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through 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 can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601.

Contribution rates are established by KRS. Members hired before July 1, 2008, are required to contribute 10.355% of their salaries and for members hired after July 1, 2008, to contribute 10.855% to KTRS. The Commonwealth of Kentucky is required to contribute 13.605% and 14.105% of salaries respectively. The federal program for any salaries paid by that program pays the matching contributions. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by KY Department of Education (KDE)

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System ("CERS"), a cost sharing, multiple-employer, public employers retirement system. Funding for the Plan is provided through payroll withholdings of 5% for employees hired before September 15, 2008, and 6% for employees hired after September 15, 2008, and a Board contribution of 18.96% of the employee's total compensation subject to contribution.

The Board's total payroll for the year was \$13,881,378. The payroll for employees covered under KTRS was \$11,519,532 and for CERS was \$2,361,846.

For the years ended June 30, 2013, 2012 and 2011, the Commonwealth contributed \$1,411,835, \$1,396,917 and \$1,377,328 respectively to KTRS for the benefit of our participating employees. The School District's contributions to KTRS for the year ending June 30, 2013, 2012 and 2011 were \$224,884, \$122,502 and \$163,926 respectively which represent those employees covered by federal programs.

The contribution requirements for CERS for the years ended June 30, 2013, 2012 and 2011, were \$578,488, \$724,373 and \$692,176 respectively, which consisted of \$461,748, \$573,168 and \$528,027 from the Board and \$116,740, \$151,204 and \$164,149 respectively from the employees.

Benefits under both plans will vary based on final compensation, years of service, and other factors as fully described in the Plan documents.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increased and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the pensions' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among the plans and employers.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

KTRS and CERS do not make separate measurements of assets and pension benefit obligation for individual employers. The following tables present certain information regarding the plans' status as a whole, derived from actuarial valuations performed as of the dates indicated:

	KTRS June 30, 2012	CERS June 30, 2012
Assets available for benefits, at fair value	14,691,371,000	5,547,235,599
Pension benefit obligation	<u>(26,973,854,000)</u>	<u>(9,139,567,695)</u>
(Underfunded)/overfunded pension benefit obligation	<u>(12,282,483,000)</u>	<u>(3,592,332,096)</u>

Ten-year historical trend information showing KTRS's and CERS's progress in accumulating sufficient assets to pay benefits when due is presented in their June 30, 2012, comprehensive annual financial reports.

As the District is only one of several employers participating in the Plan, it is not practicable to determine the District's portion of the unfunded past service cost or the vested benefits of the District's portion of the Plan assets.

The District also offers employees the option to participate in a defined contribution plan under Section 403(B), 401(K), and 457 of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute to the maximum amount allowable by law. The District does not contribute to these plans.

NOTE I – COMMITMENTS

Extensive renovation of Boyle County Middle School is ongoing as of the audit date. It is anticipated that the completion of this project will cost an additional \$2,118,960.

NOTE J – CONTINGENCIES

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

NOTE K – INSURANCE AND RELATED ACTIVITIES

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE L – RISK MANAGEMENT

The District is exposed to various risks of loss related to injuries to employees. To obtain insurance of workers’ compensation, errors and omissions, and general liability coverage, the District obtains quotes from commercial insurance companies. Currently the District maintains insurance coverage through Ohio Casualty Insurance Company.

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.

During 2013, the Kentucky School Boards Insurance Trust ceased to operate. The District’s insurance coverage continued through June 30, 2013. (See also Note S.) However, as of July 1, 2013, the District was required to obtain insurance coverage from a commercial insurance company. Coverage was obtained from Brickstreet Insurance Company.

NOTE M – DEFICIT OPERATING BALANCES

There are no funds of the District that currently have a deficit fund balance. In addition, the following funds have operations that resulted in a current year deficit of expenditures over revenues resulting in a corresponding reduction of fund balance:

Construction Fund	2,520,822
Debt Service	5,497,734
Food Service	89,097

NOTE N – COBRA

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

NOTE O – TRANSFER OF FUNDS

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Matching	General	Special Revenue	Technology Match	39,152
Operating	General	Debt Service	Debt Service	89,698
Operating	SEEK	Debt Service	Debt Service	204,832
Operating	SEEK	Construction	Construction	51,522
Operating	FSPK	Debt Service	Debt Service	<u>888,015</u>
		Subtotal Government Funds Transfers		1,273,219
Operating	General	Adult Education	Operations	<u>5,000</u>
		Total Funds Transferred		<u>1,278,219</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE P – INTERFUND RECEIVABLES AND PAYABLES

There were no interfund balances at June 30, 2013.

NOTE Q – SUBSEQUENT EVENTS

Management has reviewed subsequent events through September 23, 2013. There are no material subsequent events to disclose.

NOTE R – ON-BEHALF PAYMENT

For the year ended June 30, 2013, \$4,429,652 in on-behalf payments were made by the Commonwealth of Kentucky for the benefit of the District. Payments for life insurance, health insurance, Kentucky teacher retirement matching pension contributions, and administrative fees were paid by the State for the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts. These payments were recorded as follows:

General Fund	\$ 3,682,069
Food Service Fund	184,794
Adult Education	6,844
Debt Service Fund	<u>555,945</u>
Total	<u>\$ 4,429,652</u>

NOTE S – KSBIT ASSESSMENT

As of June 30, 2013, Kentucky School Boards Insurance Trust (KSBIT) was disbanded. On January 14, 2013, school districts in Kentucky were notified that if they had been participating members in KSBIT Workers' Compensation Self-Insurance Pool or its Property and Liability Self-Insurance Pool, they would be required to pay an assessment to repay their portion of the losses incurred by KSBIT. The total assessment for all participants is expected to be between \$50 million and \$60 million. As of June 30, 2013, Boyle County School District's assessment is expected to be \$381,225, KSBIT's best estimate, but could be as high as \$409,332. The best estimate per KSBIT (\$381,225) has been recorded as a long-term liability on the government-wide financial statements. It is anticipated that no payments will be required to be made until after the year end June 30, 2014.

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

	CAPITAL OUTLAY FUND	BUILDING FUND	TOTAL NON-MAJOR GOVERNMENT FUNDS
ASSETS:			
Cash & Cash Equivalents	50,482	35,739	86,221
Accounts Receivable:			
Taxes			
Accounts			
TOTAL ASSETS	50,482	35,739	86,221
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts Payable			
Accrued Sick Leave			
Deferred Revenues			
Total Liabilities	0	0	0
Restricted for:			
Capital Projects	50,482	35,739	86,221
Debt Service			
Committed for:			
Accrued Sick Leave			
Assigned:			
Purchase Obligations			
Unassigned			
Total Fund Balances	50,482	35,739	86,221
TOTAL LIABILITIES AND FUND BALANCES	50,482	35,739	86,221

See independent auditor's report and accompanying notes to financial statements.

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

	CAPITAL OUTLAY FUND	BUILDING FUND	TOTAL NON-MAJOR GOVERNMENT FUNDS
REVENUES:			
Taxes		552,812	552,812
Earnings from Investments	332		332
Intergovernmental - State	244,695	334,207	578,902
Intergovernmental - Federal			0
Other Sources			0
TOTAL REVENUES	<u>245,027</u>	<u>887,019</u>	<u>1,132,046</u>
EXPENDITURES:			
Instructional			0
Student Support Services			0
Staff Support Services			0
District Administration			0
School Administration			0
Business Support Services			0
Plant Operations & Maintenance			0
Student Transportation			0
Central Office			0
Community Service Operations			0
Facilities Acquisition & Construction			0
Debt Service:			0
Principal			0
Interest			0
TOTAL EXPENDITURES	<u>0</u>	<u>0</u>	<u>0</u>
EXCESS(DEFICIT) REVENUES OVER EXPENDITURES	245,027	887,019	1,132,046
OTHER FINANCING SOURCES(USES):			
Proceeds from Sale of Bonds			0
Proceeds from Sale of Assets			0
Operating Transfers In			0
Operating Transfers Out	(256,354)	(888,015)	(1,144,369)
TOTAL OTHER FINANCING SOURCES(USES)	<u>(256,354)</u>	<u>(888,015)</u>	<u>(1,144,369)</u>
NET CHANGE IN FUND BALANCES	<u>(11,327)</u>	<u>(996)</u>	<u>(12,323)</u>
FUND BALANCES - BEGINNING	<u>61,809</u>	<u>36,735</u>	<u>98,544</u>
FUND BALANCES - ENDING	<u><u>50,482</u></u>	<u><u>35,739</u></u>	<u><u>86,221</u></u>

See independent auditor's report and accompanying notes to financial statements.

BOYLE COUNTY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES
 AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

	FUND BALANCE JULY 1, 2012	REVENUES	EXPENDITURES	FUND BALANCE JUNE 30, 2013
Boyle County High School	173,544	580,574	518,952	235,166
Boyle County Middle School	37,908	149,543	139,425	48,026
Junction City Elementary School	19,125	62,286	61,636	19,775
Perryville Elementary School	47,916	101,575	86,830	62,661
Woodlawn Elementary	<u>70,751</u>	<u>144,199</u>	<u>139,820</u>	<u>75,130</u>
Due to Student Groups	349,244	1,038,177	946,663	440,758
Fiscal Agent Fund	<u>73,797</u>	<u>46,224</u>	<u>82,328</u>	<u>37,693</u>
Total Activity Funds	<u><u>423,041</u></u>	<u><u>1,084,401</u></u>	<u><u>1,028,991</u></u>	<u><u>478,451</u></u>

See independent accountant's report and accompanying notes to financial statements.

BOYLE COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
HIGH SCHOOL ACTIVITY FUND
FOR THE YEAR ENDED JUNE 30, 2013

	CASH BALANCE JULY 1, 2012	RECEIPTS	DISBURSEMENTS	CASH BALANCE JUNE 30, 2013	ACCOUNTS RECEIVABLE JUNE 30, 2013	ACCOUNTS PAYABLE JUNE 30, 2013	FUND BALANCE JUNE 30, 2013
School Store	246	(10)	236	0			0
Administrative	189	1,350	194	1,345			1,345
Parking Permits	3,345	3,135	1,753	4,727			4,727
Activity Fees	28,936	60,185	18,318	70,803			70,803
General	3,241	3,837	1,267	5,811			5,811
Vending	7,558	3,838	6,082	5,314			5,314
Guidance Office	3,768	15,288	12,675	6,381			6,381
Project Graduation	684	16,241	16,504	421			421
Athletics	7,108	135,310	120,411	22,007			22,007
Athletic Trainer	3,640	1,848	3,358	2,130			2,130
Baseball	3,584	12,175	15,754	5			5
Boys Basketball	276	1,600	867	1,009			1,009
Girls Basketball	3,072	1,600	2,693	1,979			1,979
Cheerleaders	733	20,628	19,489	1,872			1,872
Dance Team	1	2,085	1,587	499			499
Cross Country	181	5,391	5,256	316			316
Football	449	0	0	449			449
Volleyball	170	0	0	170			170
Boys Golf	60	0	0	60			60
Boys Soccer	32	0	0	32			32
Girls Soccer	78	13,410	13,410	78			78
Softball	1	15,843	15,828	16			16
Swim Team	114	1,146	988	272			272
Track	0	5,192	5,192	0			0
Track #2	0	1,790	1,790	0			0
Tennis	0	2,041	2,006	35			35
A.D. Discretionary/Dist Tourney	10,382	23,640	30,305	3,717			3,717
A.R.T.S. Club	269	6,029	5,898	400			400
Beta Club	998	2,979	2,771	1,206			1,206
FBLA	478	0	261	217			217
DECA	477	3,225	3,654	48			48
I.T. Lab	452	360	761	51			51
FCA	756	1,070	1,057	769			769
Tech Student	96	19,425	18,053	1,468			1,468
FFA	0	42,487	39,616	2,871			2,871
FCCLA	0	43,545	43,545	0			0
FCCLA Region	0	5,785	736	5,049			5,049
HOSA	0	4,477	5,923	(1,446)			(1,446)
Allied Health	296	4,141	4,329	108			108
Drama Club	248	190	0	438			438
Forensics	220	1,886	996	1,110			1,110

Pep Club	75	2,366	2,385	56			56
Book Club	14	10	0	24			24
Spanish Club	86	60	125	21			21
Change of Heart	254	0	118	136			136
Y Club	490	15,633	15,524	599			599
Rebel Zone	2,629	7,394	5,669	4,354			4,354
FMD Class Project	209	575	749	35			35
Ag. Mech.	611	1,617	1,367	861			861
Art/Inkspot	193	620	784	29			29
Band	44	0	0	44			44
Computers	70	0	70	0			0
Teacher Grant	300	0	300	0			0
Horticulture	7,021	12,644	8,624	11,041			11,041
Language Arts	308	1,337	1,355	290			290
Foreign Language	1	0	0	1			1
Library	340	3,681	3,834	187			187
Math	11	0	0	11			11
Music	737	3,698	4,200	235			235
Science	0	1,310	1,310	0			0
Environmental Club	538	125	663	0			0
Class of 2014	0	8,539	8,539	0			0
Class of 2016	305	775	313	767			767
Class of 2015	0	500	500	0			0
Class of 2013	1,949	14,814	14,955	1,808			1,808
Gibson's Classroom	16	985	1,000	1			1
Arts & Humanities	31	544	575	0			0
Driver's Ed	40	1,420	1,352	108			108
Agriculture	1,316	2,316	3,021	611			611
School Play	1,767	1,555	1,261	2,061			2,061
Rebel Textiles	1,001	7,403	8,097	307			307
Nutgrass Teach	774	0	698	76			76
Youth Service Center	0	6,789	4,184	2,605			2,605
Zoology	0	200	200	0			0
Microbiology	0	314	314	0			0
Ping Pong	0	430	424	6			6
Quilting Club	0	85	0	85			85
Needlepoint	0	500	350	150			150
Lumberjack Club	120	0	120	0			0
Mass Media	6,075	8,661	10,815	3,921			3,921
Textbook Rental	48,194	505	2,985	45,714			45,714
Credit Recovery	15,367	3,850	1,932	17,285			17,285
Field Trips	520	0	520	0			0
Total All Funds	<u>173,544</u>	<u>594,417</u>	<u>532,795</u>	<u>235,166</u>	<u>0</u>	<u>0</u>	<u>235,166</u>
Interfund Transfers	<u>0</u>	<u>(13,843)</u>	<u>(13,843)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u><u>173,544</u></u>	<u><u>580,574</u></u>	<u><u>518,952</u></u>	<u><u>235,166</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>235,166</u></u>

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

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</u>	<u>CFDA NUMBER</u>	<u>MUNIS PROJECT NUMBER</u>	<u>EXPENDITURES</u>
<u>U.S. Department of Education</u>			
Passed-Through Department of Education			
Title I - Grants to Local Educational Agencies	84.010	3102	5,854
Title I - Grants to Local Educational Agencies	84.010	3203E	82,565
Title I - Grants to Local Educational Agencies	84.010	3103	493,125
Title I - Grants to Local Education Agencies Total			581,544 *
Title I - Part D - Neglected and Delinquent Children	84.013	3133	10,947
Title I - Part D - Neglected and Delinquent Children	84.013	3133T	1,095
Title I - Part D Total			12,042
Title II, Part A -Teacher Quality Enhancement Grants	84.367	4012	32,730
Title II, Part A -Teacher Quality Enhancement Grants	84.367	4013	92,890
Title II, Part A Total			125,620
IDEA - Special Education - Grants to State	84.027	3372	108,675
IDEA - Special Education - Grants to State	84.027	3373	587,840
IDEA - Special Education - Preschool Grants	84.173	3432	5,799
IDEA - Special Education - Preschool Grants	84.173	3433	64,940
Special Education Cluster			767,254
21st CCLC - Summer School	84.287	4093T	32,329
Education Jobs Funding- ARRA	84.410	4411	3,726
Race to the Top	84.413A	4521	816
Perkins	84.048	3482	1
Perkins	84.048	3483	19,238
Perkins Total			19,239
Total U.S. Department of Education			1,542,570
<u>U.S. Department of Justice</u>			
Passed-Through State Department of Juvenile Justice			
Enforcing Underage Drinking Laws	16.727	4262	5,614
Enforcing Underage Drinking Laws	16.727	4263	6,034
Total U.S. Department of Justice			11,648
<u>U.S. Department of Agriculture</u>			
National School Lunchroom	10.555	7750002-12	94,957
National School Lunchroom	10.555	7750002-13	431,378
School Breakfast Program	10.553	7760005-12	26,681
School Breakfast Program	10.553	7760005-13	117,874
Summer Meal Program	10.559	7690024-12	1,081
Summer Meal Program	10.559	7740023-12	10,408
Child Nutrition Cluster			682,379
Pass-Through State Department of Agriculture			
Food Distribution	10.565	057502-11	79,129
Total U.S. Department of Agriculture			761,508
Total Federal Financial Assistance			2,315,726

* Tested as major program

BOYLE COUNTY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE A – BASIS OF PRESENTATION

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

NOTE B – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed.

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

Section I – Summary of Auditor’s Results

Financial Statements

Type of audit issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes X None Reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs?

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes X None Reported

Type of 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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I

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

Auditee qualified as low-risk auditee? X Yes _____ No

Section II – Financial Statement of Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

BOYLE COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2013

There were no prior year audit findings.

WHITE AND COMPANY, P.S.C.

**Certified Public Accountants
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Charles M. White, CPA

Email cmwcpa@windstream.net

September 30, 2013

**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**

Members of the Board of Education
Boyle County School District
352 North Danville By-Pass
Danville, KY 40422

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Audits of States, Local Governments, and Non-Profit Organizations, Appendix I to the Independent Auditor's Contract – General Auditing Requirements, Appendix II of the independent Auditor's Contract – State Audit Requirements Appendix III to the Independent Auditor's Contract – Audit Extension Request, and Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Boyle County School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Boyle County School District's basic financial statements, and have issued our report thereon dated September 30, 2013.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 Boyle County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no material instances of noncompliance of specific state statutes or regulation identified in *Appendix II of the Independent Auditor's Contract – State Audit Requirements*.

We noted certain matters that we reported to management of Boyle County School District in a separate letter dated September 30, 2013.

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.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants

WHITE AND COMPANY, P.S.C.
Certified Public Accountants
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Charles M. White, CPA

Email cmwcpa@windstream.net

September 30, 2013

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

Members of the Board of Education
Boyle County School District
352 North Danville By-Pass
Danville, KY 40422

Report on Compliance for Each Major Federal Program

We have audited the Boyle 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 Boyle County School District's major federal programs for the year ended June 30, 2013. Boyle 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, contract, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Boyle County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations, Appendix I to the Independent Auditor's Contract – General Audit Requirements, Appendix II to the Auditor's Contract – State Audit Requirements Appendix III to the Independent Auditor's Contract – Audit Extension Request, and Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report*. 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 Boyle 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 Boyle County School District's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

Sincerely,

White and Company, P.S.C.

Certified Public Accountants

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Charles M. White, CPA

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September 30, 2013

MANAGEMENT LETTER

Members of the Board of Education
Boyle County School District
352 North Danville By-Pass
Danville, KY 40422

In planning and performing our audit of the financial statements of Boyle County School District for the year ended June 30, 2013, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. Our professional standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We feel that the District's financial statements are free of material misstatement. However, we offer the following suggestions that we feel will strengthen your organization's internal control structure.

In addition, we have reviewed recommendations made by the prior auditors in the audit report for the year ended June 30, 2012, and we have reviewed management's responses to those recommendations. Our findings based upon those prior year recommendations are also summarized below.

Prior Year Recommendation:

During the audit, we discovered that a few checks written out of the payroll account had been voided. Those voids were not properly handled. Because of this, the district had difficulty reconciling its primary bank account with the general ledger. We recommend that if a check is voided from the payroll account, the replacement check should be issued from the payroll account or the funds for voided checks be returned to the primary bank account to avoid problems reconciling the primary account. These issues should be evaluated and resolved at least on a monthly basis.

Current Year Finding:

We noted during the current year that procedures are in place to ensure that voided checks are being handled properly as recommended above.

Prior Year Recommendation:

During the audit, many disbursements were examined. It was noted that general ledger codes on the purchase order did not always agree with the actual codes posted to the general ledger. The posted general ledger coding was acceptable for the disbursement made. However, to strengthen internal controls, we recommend that all general ledger coding changes be reviewed and approved by an appropriate level of management such as the finance officer or program coordinator prior to payment.

Current Year Finding:

We noted no instances where the coding on purchase orders did not match the actual codes posted to the general ledger.

Prior Year Recommendation:

During the audit, activity funds accounts for the schools were reviewed. Two disbursements from Junction City Elementary to the Boyle County Board of Education were made without supporting documentation. Upon further investigation, these disbursements were found to be appropriate. However, to properly comply with Redbook procedures, the school should have at least completed a standard invoice with the proper approvals prior to the disbursement of funds. We recommend that all activity fund disbursements be documented and approved prior to payment.

Current Year Finding:

We noted one instance at Boyle County High School where a disbursement was made without supporting documentation. Purchasing and disbursement procedures required by Redbook state that before being processed, each disbursement shall be documented by a completed purchase order and an original vendor invoice. If a vendor invoice is not available, the disbursement shall be supported by a Standard Invoice, which must be signed by the payee.

Management Response:

We will take measures to ensure that all activity fund disbursements are supported by appropriate documentation and approved prior to disbursement as required by Redbook.

Current Year Finding and Recommendation:

During the audit, activity funds cash receipts and deposits were reviewed. We noted that at the Boyle County High School funds totaling \$42,477.50 were collected over the course of three days before being taken to the bank for deposit. Receipts and deposit procedures within Redbook state:

All monies collected shall be deposited on a daily basis except for:

- a) A deposit shall be made on any day in which at least \$100 is on hand to deposit. In the event that less than \$100 is on hand to deposit, smaller amounts may be held in a secure location until the earlier of when \$100 is collected or the weekly deposit is made as required by paragraph c) of this item. If not deposited the day the money is collected, the treasurer still must write the receipt the day the money is collected.*
- b) Money collected after school business hours for evening events shall be placed in a night depository or night drop at a bank or in the locked school safe and processed for deposit the following business day by the school treasurer.*
- c) At a minimum, deposits shall be made on a weekly basis even if the deposit amount is less than \$100.*

Management Response:

We will instruct all school treasurers that they must follow the above noted Redbook requirements for cash receipts and deposits.

We would like to offer our assistance throughout the year if and when new or unusual situations arise. Our awareness of new developments when they occur would help to ensure that the District is complying with requirements such as those mentioned above.

We will review the status of this comment during our next audit engagement. We have already discussed this comment and suggestion with various District personnel, and we will be pleased to perform any additional study of this matter or to assist you in implementing the recommendation.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants

WHITE AND COMPANY, P.S.C.
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Charles M. White, CPA

Email cmwcpa@windstream.net

September 30, 2013

Members of the Board of Education
Boyle County School District
352 North Danville By-Pass
Danville, KY 40422

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Boyle County School District for the year ended June 30, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, Government Auditing Standards and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 5, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Auditing Findings:

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting polices used by Boyle County School District are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2013. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the sick leave liability is based on current pay rates and those currently eligible for retirement. We evaluated the key factors and assumptions used to develop the sick leave liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 30, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were not such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of Boyle County School District and management of Boyle County School District and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants