

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

Year Ended June 30, 2018

Denise M. Keene
Certified Public Accountant
P.O. Box 1444
Georgetown, Kentucky 40324
502-857-2579

BOYLE COUNTY BOARD OF EDUCATION
TABLE OF CONTENTS

	Pages
Independent Auditor’s Report	4-6
Management’s Discussion and Analysis	7-11
Basic Financial Statements:	
District-wide Financial Statements:	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements:	
Balance Sheet – Governmental Funds	14
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the District-Wide Statement of Activities	17
Statement of Net Position – Proprietary Funds	18
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	19
Statement of Cash Flows – Proprietary Funds	20
Statement of Net Position – Fiduciary Funds	21
Statement of Changes in Fiduciary Net Position	22
Notes to the Financial Statements	23-55
Required Supplementary Information:	
Budget Comparison:	
Budgetary Comparison Schedule for the General Fund	57
Budgetary Comparison Schedule for Special Revenue	58

BOYLE COUNTY BOARD OF EDUCATION
TABLE OF CONTENTS

	Pages
Schedule of the District's Proportionate Share of the Net Pension Liability	59
Schedule of the District's Pension Contributions	60
Schedule of the District's Proportionate Share of the Net OPEB Liability	61
Schedule of the District's OPEB Contributions	62
Notes to Required Supplementary Information	63
Other Supplementary Information	
Combining Statements – Nonmajor Funds:	
Combining Balance Sheet	64
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	65
Combining Statements – Agency Funds	
Combining Statement of Net Position	66
Combining Statement of Receipts, Disbursements, and Due to Student Groups, Fund Balance	67
Statement of Receipts, Disbursements, and Due to Student Groups Boyle County High School	68-69
Schedule of Expenditures of Federal Awards	70
Notes to the Schedule of Expenditures of Federal Awards	71
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance And Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	72-73
Independent Auditor's Report on Compliance for Each Major Program And on Internal Control Over Compliance Required by Uniform Guidance	74-75
Schedule of Findings and Questioned Costs	76
Schedule of Prior Year Audit Findings	77
Management Letter	78-83

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Boyle County Board of Education as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board as of June 30, 2018 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note Q to the financial statements, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, effective July 1, 2014. The District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for July 1, 2017. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 11, budgetary comparison information on pages 57 and 58, and the Schedules of Proportionate Share of the Net Position Liability, and Schedule of Contributions on pages 59 and 60 the Schedule of Proportionate Share of the Net OPEB Liability and Schedule of OPEB Contributions on pages 61 and 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The combining statements for nonmajor governmental funds and fiduciary funds, the statement of receipts, disbursements, and due to student groups-Boyle County High School are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The combining statements for nonmajor funds and fiduciary funds, the statement of receipts, disbursements, and due to student groups-Boyle County High School, and the schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements for nonmajor funds and fiduciary funds, the statement of receipts, disbursements, and due to student groups-Boyle County High School, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2018 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

Denise M. Keene

Denise M. Keene, CPA
Georgetown, Kentucky
October 15, 2018
Except for Note T, as to which the date is November 13, 2018

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

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, 2018. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

The beginning cash balance, including activity funds, for the District was \$10,063,782. The ending cash balance, including activity funds, for the District was \$41,584,138.

The General Fund had \$26,195,887 in revenue, which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes. Excluding inter-fund transfer, there were \$25,480,503 in General Fund expenditures. This includes on-behalf payments of \$7,162,358.

Total taxes collected were \$9,471,837 including property, vehicles and utility taxes. The levied equivalent of \$.10 cents was allocated to the building funds, resulting in revenues of \$1,222,386. These funds are used for retirement of debt service on facilities and/or capital construction projects as set forth by the long range district facility plan.

The District purchased two new school buses during the year.

The New Boyle County Middle School is under construction and projected to be open during the 2019-2020 school year.

The current Boyle County Middle School has an approved BG-1 to begin renovation. The facility will be the future home of Woodlawn Elementary School. The facility is projected to open at the beginning of the 2020-2021 school year.

The District Operated a week long summer camp for Boyle County Students. The Black and Gold Academy had an enrollment of over 700 students.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 14-22 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 23-55 of this report.

DISTRICT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$1,302,918 as of June 30, 2018.

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

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

	Net Position (in thousands)					
	Governmental		Business-type		Total	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Assets	\$66,405	\$33,081	\$563	\$542	\$66,968	\$33,623
Deferred Outflows of Resources	\$3,176	\$1,428	\$372	\$202	\$3,548	\$1,630
Liabilities	\$67,467	\$24,504	\$1,212	\$919	\$68,679	\$25,423
Deferred Inflows of Resources	\$811	\$218	\$112	\$42	\$923	\$260
Investment in capital assets (net of debt)	(\$25,032)	\$4,419	\$115	\$131	(\$24,917)	\$4,550
Restricted	32,928	1,559	(504)	(348)	32,424	1,211
Unrestricted	<u>(6,593)</u>	<u>3,809</u>			<u>(6,593)</u>	<u>3,809</u>
Total Net Position	\$1,303	\$9,787	(\$389)	(\$217)	\$914	\$9,570

Budgetary Implications

In Kentucky the public school fiscal year is July 1 - June 30; other programs, i.e. some federal operate on a different fiscal year, but are reflected in the district overall budget. By law the budget must have a minimum 2 percent contingency. The district adopted a budget with \$5,199,156 in contingency, which is 23.79 percent.

Comments on Budget Comparisons

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

Changes in Net Position (in thousands)

	Governmental		Business-type		Total	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues						
Local Revenue Sources	\$9,902	\$9,394	\$483	\$481	\$10,385	\$9,875
State Revenue Sources	20,327	18,549	217	241	20,544	18,790
Federal Revenue Sources	1,388	1,446	968	940	2,356	2,386
Investments	<u>161</u>	<u>57</u>	<u>2</u>	<u>2</u>	<u>163</u>	<u>59</u>
Total Revenues	31,778	29,446	1,670	1,664	33,448	31,110
Expenses	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Instruction	19,150	14,428	0	0	19,150	14,428
Student Support Services	1,648	1,437	0	0	1,648	1,437
Instructional Support	1,330	3,393	0	0	1,330	3,393
District Administration	1,005	1,119	0	0	1,005	1,119
School Administration	1,288	1,236	0	0	1,288	1,236
Business Support	979	799	0	0	979	799
Plant Operations	1,692	1,519	0	0	1,692	1,519
Student Transportation	1,509	1,439	0	0	1,509	1,439
Other Instruction	8	8	0	0	8	8
Day care operations	28	0	0	0	28	0
Community Support	1,143	1,481	0	15	1,143	1,496
Food Service	0	0	1,599	1,662	1,599	1,662
Debt Service	<u>1,171</u>	<u>603</u>	<u>0</u>	<u>0</u>	<u>1,171</u>	<u>603</u>
Total Expenses	30,951	27,462	1,599	1,677	32,550	29,139
Sale of Assets	25	32	0	0	25	32
Change in Net Position	852	2,016	71	(13)	923	2,003
Beginning Net Position	9,787	8,282	(216)	(137)	9,571	8,145
Prior Period Adjustment	<u>(9,336)</u>	<u>(511)</u>	<u>(243)</u>	<u>(66)</u>	<u>(9,579)</u>	<u>(577)</u>
Ending Net Position	\$1,303	\$9,787	(\$388)	(\$216)	\$915	\$9,571

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

INFRASTRUCTURE

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

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

Fund	Beginning	Revenues	Expenses	Transfer	Ending
General Fund	\$8,238	\$26,221	\$25,481	(\$64)	\$8,914
Special Revenue	\$223	\$2,867	\$2,915	\$48	\$223
Capital Outlay	\$40	\$240	\$0	(\$280)	\$0
Building	\$650	\$1,632	\$0	(\$2,189)	\$93
Construction	(\$468)	\$91	\$2,862	\$33,871	\$30,632
Debt Service	\$671	\$33,574	\$2,208	(\$31,385)	\$652

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

	Beginning	Additions	Deductions	Ending
Governmental				
Capital Assets	\$47,271	\$3,097	\$1	\$50,367
Accumulated Depreciation	\$24,102	\$1,344	\$0	\$25,446
Business-Type				
Capital Assets	\$887	\$6	\$36	\$857
Accumulated Depreciation	\$756	\$22	\$36	\$742
Bonds Payable	\$18,588	\$32,555	\$1,190	\$49,953
Capital Lease Payable	\$16	\$0	\$16	\$0
Sick Leave Payable	\$336	\$100	\$63	\$373
Judgments Payable	\$102	\$0	\$34	\$68

CURRENT ISSUES

The District is concerned about the future of pensions for employees.

Contacting the District's Financial Management

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

BOYLE COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
DISTRICT WIDE
As of June 30, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and equivalents - Note C	\$40,920,628	\$378,778	\$41,299,406
Accounts receivable	563,371	26,633	590,004
Inventory		42,927	42,927
Land and construction in progress	4,407,863		4,407,863
Other capital assets, net of depreciation	<u>20,512,817</u>	<u>114,643</u>	<u>20,627,460</u>
Total capital assets	<u>24,920,680</u>	<u>114,643</u>	<u>25,035,323</u>
TOTAL ASSETS	\$66,404,679	\$562,981	\$66,967,660
 DEFERRED OUTFLOWS OF RESOURCES			
Advanced Bond Refundings	\$288,443	\$	\$288,443
Pension-contributions after measurement date	362,690	48,014	410,704
Pension-change of assumptions, expectations	1,520,365	240,539	1,760,904
OPEB-contributions after measurement date	578,568	16,280	594,848
OPEB-change of assumptions, expectations	<u>426,107</u>	<u>67,415</u>	<u>493,522</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$3,176,173	\$372,248	\$3,548,421
 LIABILITIES			
Accounts payable	589,675		589,675
Accrued salaries & benefit payable	2,668		2,668
Unearned revenue	377,909		377,909
Interest payable	564,762		564,762
Long-term Liabilities			
Due within 1 year	2,064,109		2,064,109
Due in more than 1 year	48,329,716		48,329,716
Pension Liability	5,701,686	902,074	6,603,760
OPEB Liability	<u>9,836,267</u>	<u>309,821</u>	<u>10,146,088</u>
TOTAL LIABILITIES	\$67,466,792	\$1,211,895	\$68,678,687
 DEFERRED INFLOWS OF RESOURCES			
Pension	\$608,612	\$96,290	\$704,902
OPEB	<u>202,530</u>	<u>16,222</u>	<u>218,752</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	\$811,142	\$112,512	\$923,654
 NET POSITION			
Net investment in capital assets	(\$25,032,320)	\$114,643	(\$24,917,677)
Restricted			
Food Service		1,184,412	1,184,412
Other	375,221	(1,688,233)	(1,313,012)
Future Construction	31,465,869		31,465,869
Debt Service	651,949		651,949
Site-Based Carryforward	61,989		61,989
Sick Leave Payable	372,607		372,607
Unrestricted	<u>(6,592,397)</u>		<u>(6,592,397)</u>
TOTAL NET POSITION	\$1,302,918	(\$389,178)	\$913,740
See accompanying notes			

BOYLE COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
DISTRICT WIDE
For the year ended June 30, 2018

FUNCTIONS/PROGRAMS

Governmental Activities

	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Net (Expense) Revenue and Changes in Net Position Business-type Activities	Total
Instruction	\$19,149,607	\$65,916	\$1,827,887		(\$17,255,804)	\$	(\$17,255,804)
Support services:							
Student	1,647,594		96,389		(1,551,205)		(1,551,205)
Instruction staff	1,330,062		675,212		(654,850)		(654,850)
District administrative	1,004,909				(1,004,909)		(1,004,909)
School administrative	1,288,254				(1,288,254)		(1,288,254)
Business	979,234				(979,234)		(979,234)
Plant operation and maintenance	1,692,074		24,224		(1,692,074)		(1,692,074)
Student transportation	1,509,234				(1,485,010)		(1,485,010)
Other instruction	7,665				(7,665)		(7,665)
Day care operations	27,987		27,987		0		0
Community service activities	1,143,464		215,215		(928,249)		(928,249)
Interest on long-term debt	1,170,634	0	0	244,216	(926,418)		(926,418)
Total governmental activities	30,950,718	65,916	2,866,914	244,216	(27,773,672)		(27,773,672)

Business-type Activities

Food service	1,599,193	483,640	1,184,401			68,848	68,848
Adult education	0	0	0			0	0
Total business-type activities	1,599,193	483,640	1,184,401			68,848	68,848
Total school district	\$32,549,911	\$549,556	\$4,051,315	\$244,216	(\$27,773,672)	\$68,848	(\$27,704,824)

General Revenues

Property taxes	\$7,888,026						\$7,888,026
Motor Vehicle taxes	652,368						652,368
Utility taxes	931,443						931,443
State aid-formula grants	18,938,071						18,938,071
Investment earnings	161,291					1,799	163,090
Sale of assets	24,840						24,840
Miscellaneous	30,045						30,045
Total general & special	28,626,084					1,799	28,627,883
Change in net positions					852,412	70,647	923,059
Net position - beginning					9,786,513	(216,811)	9,569,702
Prior period adjustment-Note S					(9,336,007)	(243,014)	(9,579,021)
Net position - ending					\$1,302,918	(\$389,178)	\$913,740

See accompanying notes

BOYLE COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2018

	General Fund	Special Revenue	Construction Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$8,705,652	\$293,945	\$31,176,539	\$651,949	\$92,543	\$40,920,628
Other receivables	<u>250,020</u>	<u>313,351</u>				<u>563,371</u>
TOTAL ASSETS	\$8,955,672	\$607,296	\$31,176,539	\$651,949	\$92,543	\$41,483,999
LIABILITIES						
Accounts payable	\$39,455	\$6,000	\$544,220			\$589,675
Accrued salaries & benefit payable	2,668					2,668
Unearned revenue		<u>377,909</u>				<u>377,909</u>
TOTAL LIABILITIES	42,123	383,909	544,220			970,252
FUND BALANCES						
Restricted						
Other		223,387			92,543	315,930
Future Construction BG - 1			30,632,319			30,632,319
Debt Service				651,949		651,949
Committed						
Site-Based carryforward	61,989					61,989
Sick leave payable	372,607					372,607
Future Construction	833,550					833,550
Other	59,291					59,291
Unassigned	<u>7,586,112</u>					<u>7,586,112</u>
TOTAL FUND BALANCES	8,913,549	223,387	30,632,319	651,949	92,543	40,513,747
TOTAL LIABILITIES AND FUND BALANCE	\$8,955,672	\$607,296	\$31,176,539	\$651,949	\$92,543	\$41,483,999

See accompanying notes

BOYLE COUNTY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO
 THE STATEMENT OF NET POSITION
 As of June 30, 2018

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

Total Fund Balance - Governmental Funds	\$40,513,747
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position	24,920,680
Deferred outflow of resources	3,176,173
Deferred inflow of resources	(811,142)
Certain liabilities are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position	
	Bonds Payable (49,953,000)
	Pension Liability (5,701,686)
	OPEB Liability (9,836,267)
	KSBIT Payable (68,218)
	Accrued Interest on Bonds (564,762)
	Accumulated Sick Leave <u>(372,607)</u>
Total Net Position - Governmental Activities	\$1,302,918

See accompanying notes

BOYLE COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended June 30, 2018

	General Fund	Special Revenue	Construction Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
From local sources						
Property taxes	\$6,665,640	\$			\$1,222,386	\$7,888,026
Motor vehicle taxes	652,368					652,368
Utility taxes	931,443					931,443
Earnings on investments	58,264		91,211	7,455	4,361	161,291
Other local revenues	95,961	334,674				430,635
Intergovernmental - State	17,792,211	1,249,904		640,312	644,297	20,326,724
Intergovernmental - Federal	<u>0</u>	<u>1,282,336</u>		<u>105,467</u>		<u>1,387,803</u>
Total revenues	26,195,887	2,866,914	91,211	753,234	1,871,044	31,778,290
Expenditures						
Instruction	16,177,496	1,875,294				18,052,790
Support services						
Student	1,228,087	96,389				1,324,476
Instruction staff	654,850	675,212				1,330,062
District administration	1,000,073					1,000,073
School administration	1,287,660					1,287,660
Business	979,234					979,234
Plant operation and maintenance	1,683,650					1,683,650
Student transportation	1,533,539	24,224				1,557,763
Other instructional	7,665					7,665
Day care operations		27,987				27,987
Community service activities	928,249	215,215				1,143,464
Facilities			2,862,147			2,862,147
Debt service				2,207,836		2,207,836
Total expenditures	25,480,503	2,914,321	2,862,147	2,207,836	0	33,464,807
Excess(deficit)of revenues over expenditures	715,384	(47,407)	(2,770,936)	(1,454,602)	1,871,044	(1,686,517)
Other Financing Sources (Uses)						
Sale of assets	24,840					24,840
Bond Proceeds				32,555,000		32,555,000
Bond Premium Proceeds				265,496		265,496
Operating transfers in	2,206	50,113	33,871,061	996,532		34,919,912
Operating transfers out	<u>(66,602)</u>	<u>(2,206)</u>		<u>(32,381,711)</u>	<u>(2,469,393)</u>	<u>(34,919,912)</u>
Total other financing sources (uses)	(39,556)	47,907	33,871,061	1,435,317	(2,469,393)	32,845,336
Change in Fund Balance on Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds	675,828	500	31,100,125	(19,285)	(598,349)	31,158,819
Fund balance, July 1, 2017	<u>8,237,721</u>	<u>222,887</u>	<u>(467,806)</u>	<u>671,234</u>	<u>690,892</u>	<u>9,354,928</u>
Fund balance, June 30, 2018	\$8,913,549	\$223,387	\$30,632,319	\$651,949	\$92,543	\$40,513,747

See accompanying notes

BOYLE COUNTY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO
 THE DISTRICT-WIDE STATEMENT OF ACTIVITIES
 For The Year Ended June 30, 2018

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

Total net change in fund balances - governmental funds \$31,158,819

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

	Depreciation Expense	(1,344,315)	
	Capital Outlays	<u>3,095,841</u>	1,751,526
	Amortization of Advance Bond Refundings		(49,506)
	Change in Deferred Outflows of Resources - Pensions		792,943
	Change in Deferred Outflows of Resources - OPEB		1,004,675
	Change in Deferred Inflows of Resources - Pensions		(390,456)
	Change in Deferred Inflows of Resources - OPEB		(202,530)

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

	Bond Principal Payments		1,190,000
	Capital Lease Payments		15,893
	Bond Proceeds		(32,555,000)

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

	Change in Accrued Interest		(418,790)
	Change in Pension Liability		(941,965)
	Change in OPEB Liability		(500,260)
	KSBIT Judgment		34,109
	Change in Sick Leave		<u>(37,046)</u>

Total Change in Net Position - Governmental Activities \$852,412

See accompanying notes

BOYLE COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
As of June 30, 2018

	Business-Type Activities Enterprise Funds		
	Food Service	Adult Education	Total
ASSETS			
Cash and Equivalents	\$356,078	\$22,700	\$378,778
Account Receivable	26,633		26,633
Inventory	42,927		42,927
Capital Assets, net of depreciation	<u>114,643</u>		<u>114,643</u>
TOTAL ASSETS	540,281	22,700	562,981
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows from pension	288,553		288,553
Deferred outflows from OPEB	<u>83,695</u>		<u>83,695</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	372,248		372,248
LIABILITIES			
Unfunded Pension Liability	902,074		902,074
Unfunded OPEB Liability	<u>309,821</u>		<u>309,821</u>
TOTAL LIABILITIES	1,211,895		1,211,895
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from pension	96,290		96,290
Deferred inflows from OPEB	<u>16,222</u>		<u>16,222</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	112,512		112,512
NET POSITION			
Net Investment in Capital Assets	114,643		114,643
Restricted - Other Pension	(1,468,585)		(1,468,585)
Restricted - Other OPEB	(242,348)		(242,348)
Restricted Net Position	<u>1,184,412</u>	<u>22,700</u>	<u>1,207,112</u>
TOTAL NET POSITION	(\$411,878)	\$22,700	(\$389,178)

See accompanying notes

BOYLE COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For The Year Ended June 30, 2018

	Business-Type Activities Enterprise Funds		
	Food Service	Adult Education	Total
OPERATING REVENUES			
Lunchroom sales	\$478,685	\$0	\$478,685
Other revenues	<u>4,955</u>		<u>4,955</u>
Total Operating Revenues	483,640	0	483,640
OPERATING EXPENSES			
Salaries and wages	756,342		756,342
Contract services	50,528		50,528
Materials and supplies	769,260		769,260
Depreciation	22,398		22,398
Miscellaneous	<u>665</u>		<u>665</u>
Total Operating Expenses	1,599,193		1,599,193
Operating income (loss)	(1,115,553)	0	(1,115,553)
NON-OPERATING REVENUES (EXPENSES)			
Federal grants	870,818		870,818
Commodities received	97,067		97,067
State grants	13,087		13,087
State on-behalf payments	203,429		203,429
Interest income	<u>1,799</u>		<u>1,799</u>
Non-operating revenues (expenses)	1,186,200		1,186,200
Net income (loss) before Capital Contributions	70,647	0	70,647
Increase (decrease) in Net Position	70,647	0	70,647
Net Position, July 1, 2017	(239,511)	22,700	(216,811)
Prior Period Adjustment - Note S	<u>(243,014)</u>		<u>(243,014)</u>
Net Position, June 30, 2018	(\$411,878)	\$22,700	(\$389,178)

See accompanying notes

BOYLE COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended June 30, 2018

Business-Type Activities
Enterprise Funds

	<u>Food Service</u>	<u>Adult Education</u>	<u>Total</u>
CASH FLOW FROM OPERATING ACTIVITIES			
Cash received from customers	\$483,640	\$0	\$483,640
Cash paid to employees, including benefits	(602,543)		(602,543)
Cash paid to suppliers	<u>(737,514)</u>	<u> </u>	<u>(737,514)</u>
Net cash provided by operating activities	(856,417)	0	(856,417)
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES			
Cash received from government funding	857,525		857,525
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital asset purchases	(5,491)		(5,491)
CASH FLOW FROM INVESTING ACTIVITIES			
Interest Income	1,799		1,799
Net increase (decrease) in cash	(2,584)	0	(2,584)
Cash and equivalents, July 1, 2017	<u>358,662</u>	<u>22,700</u>	<u>381,362</u>
Cash and equivalents, June 30, 2018	\$356,078	\$22,700	\$378,778
Reconciliation of Operating income (loss) to Net Cash Provided by Operating Activities			
Operating income (loss)	(\$1,115,553)	\$0	(\$1,115,553)
Adjustments to reconcile net income to cash provided by operating activities			
Depreciation	22,398		22,398
On-behalf payments	203,429		203,429
Commodities used	97,067		97,067
Decrease (Increase) in inventory	(14,128)		(14,128)
Increase (decrease) in pension	<u>(49,630)</u>		<u>(49,630)</u>
Net cash provided by operating activities and increase in cash and equivalents	(\$856,417)	\$0	(\$856,417)
Schedule of Non-Cash Financing Activities			
Donated commodities	\$97,067		\$97,067
On Behalf payments	\$203,429		\$203,429

See accompanying notes

BOYLE COUNTY SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 FIDUCIARY FUNDS
 As of June 30, 2018

	<u>Private Purpose Trust Funds</u>	<u>Agency Fund</u>
ASSETS		
Cash and equivalents	\$65,220	\$284,732
Accounts receivable	<u> </u>	<u> </u>
TOTAL ASSETS	\$65,220	\$284,732
 LIABILITIES		
Accounts payable		\$3,908
Due to student groups		<u>280,824</u>
TOTAL LIABILITIES		\$284,732
NET POSITION HELD IN TRUST	\$65,220	

See accompanying notes

BOYLE COUNTY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 For The Year Ended June 30, 2018

	<u>Private Purpose Trust Funds</u>
ADDITIONS:	
Contributions	\$30,436
TOTAL ADDITIONS	<u>30,436</u>
DEDUCTIONS:	
Benefits Paid	26,688
TOTAL DEDUCTIONS	26,688
Change in Net Position	3,748
NET POSITION, July 1, 2017	<u>61,472</u>
NET POSITION, June 30, 2018	\$65,220

See accompanying notes

BOYLE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

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

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

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

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

Boyle County School District Finance Corporation (the Corporation) – the Boyle County Board of Education has established the Boyle County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Boyle County Board of Education also comprise the Corporation's Board of Directors.

Basis of Presentation

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

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

BOYLE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2018

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

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

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

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund (Fund 1) is the primary operating fund of the District. It accounts for and reports all financial resources not accounted for and reported in another fund. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Fund (Fund 2) accounts for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

BOYLE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2018

- (C) Capital Project Funds are used to account for and report financial resource that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.
1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund (Fund 310) receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the district's facility plan.
 2. The Facility Support Program of Kentucky (FSPK) Fund (Fund 320) 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 (Fund 360) includes Capital Projects Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction and/or renovations. This is a major fund this year.

II. Debt Service Fund

The Debt Service Fund (Fund 400) is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds are used to report resources if legally mandated. Financial resources that are being accumulated for principal and interest maturing in future years are reported in debt service funds. This is a major fund this year.

III. Proprietary Funds (Enterprise Fund)

1. The School Food Service Fund (Fund 51) is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). This is a major fund of the District.
2. The Adult Education Fund (Fund 54) is used to account for adult education activities.

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

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

BOYLE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2018

V. Permanent Funds

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

Basis of Accounting

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

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

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

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

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

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

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

BOYLE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2018

Property Taxes

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

The property tax rates assessed for the year ended June 30, 2018, to finance operations were \$.704 per \$100 valuation for real property, \$.704 per \$100 valuation for business personal property. Motor vehicle tax rates were set at \$.539 per \$100 valuation.

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

Fund Balance Classification Policies and Procedures

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

Nonspendable Fund Balance

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

Restricted Fund Balance

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

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

Committed Fund Balance

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

Assigned Fund Balance

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

Unassigned Fund Balance

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

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

Interfund Balances

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

BOYLE COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2018

Capital Assets

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

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

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

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

Accumulated Unpaid Sick Leave Benefits

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

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

The entire compensated absence liability is reported on the government-wide financial statements.

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

BOYLE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2018

Budgetary Process

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

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

Cash and Cash Equivalents

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

Inventories

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

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

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

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2018 are recorded as prepaid items using the consumption method. Prepaid assets are only recorded if material to the financial statements.

Pensions

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

Postemployment Benefits Other than Pensions (OPEB). For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources, and expense, information about the fiduciary net position of the CERS and TRS and additions to /deductions from the fiduciary net position have been determined on the same basis as they are reported by CERS and TRS. The plans recognizes benefit payments when due and payable in accordance with the benefit term.

BOYLE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2018

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools and collections for services such as child care.

Accrued Liabilities and Long-Term Obligations

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

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

Net Position

Net position represent the difference between assets and liabilities. Net 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 District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Contributions of Capital

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

Subsequent Events

The District has evaluated and considered the need to recognize or disclose subsequent events through October 15, 2018, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2018, have not been evaluated by the District.

Interfund Activity

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

BOYLE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2018

Uses of Estimates

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

Encumbrances

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

NOTE B – PROPERTY TAX CALENDAR

Property taxes for fiscal year 2018 were levied on the assessed valuation of property located in the School District as of January 1, 2017 lien date. The due date and collection periods for all taxes exclusive of vehicle taxes are as follows:

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

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

NOTE C – CASH AND CASH EQUIVALENTS

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

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

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

BOYLE COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2018

NOTE C – CASH AND CASH EQUIVALENTS (continued)

Custodial credit risk – deposits. For deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned. The District maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As allowed by law the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times. As of June 30, 2018, the District’s deposits are entirely insured and/or collateralized with securities held by the financial institutions on the District’s behalf and the FDIC insurance.

At year-end, the carrying amount of the District’s total cash and cash equivalents was \$41,584,138. Of the total cash balance, \$250,000 was covered by Federal Depository insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks’ trust departments in the District’s name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

Cash and cash equivalents at June 30, 2018 consisted of the following:

	Bank Balance	Book Balance
General Checking Account		
Fund 1 (General Fund)	\$	\$ 8,705,652
Fund 2 (Special Revenue Fund)		70,557
Fund 22 (District Activity Fund)		223,388
Fund 310 (Capital Outlay Fund)		0
Fund 320 (Building Fund)		92,543
Fund 360 (Construction Fund)		31,176,539
Fund 51 (Food Service)		356,078
Fund 54 (Adult Education)		<u>22,700</u>
Total General Checking Account	40,811,265	40,647,457
Agency Funds	288,167	284,732
Debt Service Funds	<u>651,949</u>	<u>651,949</u>
TOTALS	\$ 41,751,381	\$41,584,138
Breakdown per financial statements:		
Governmental Funds		\$40,920,628
Proprietary Funds		378,778
Agency Funds		<u>284,732</u>
TOTALS		\$41,584,138

NOTE D – CAPITAL ASSETS

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

Instruction	\$ 851,427
Support Services	
Student	323,118
District administration	4,836
School administration	594
Plant operations & maintenance	8,424
Student transportation	<u>155,916</u>
Total Depreciation expense, governmental activities	\$ 1,344,315

BOYLE COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2018

NOTE D – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

Governmental Activities	Beginning	Additions	Deletions	Ending
Land	1,009,950			1,009,950
Land Improvements	1,051,309			1,051,309
Buildings/Bldg Improvements	41,681,515			41,681,515
Technology Equipment	429,271		1,353	427,918
Vehicles	2,068,120	204,445		2,272,565
General Equipment	494,862	30,602		525,464
Construction Work In Process	<u>535,766</u>	<u>2,862,147</u>		<u>3,397,913</u>
Total Historical Cost	47,270,793	3,097,194	1,353	50,366,634
Accumulated Depreciation				
Land Improvements	327,345	52,488		379,833
Buildings/Bldg Improvements	21,964,659	1,112,546		23,077,205
Technology Equipment	369,818	(470)		369,348
Vehicles	1,124,593	155,132		1,279,725
General Equipment	<u>315,224</u>	<u>24,619</u>		<u>339,843</u>
Total Accumulated Depreciation	24,101,639	1,344,315		25,445,954
Capital Assets - Net	23,169,154	1,752,879	(1,353)	24,920,680
Business-Type Activities	Beginning	Additions	Deletions	Ending
Technology Equipment	23,622			23,622
General Equipment	<u>863,721</u>	<u>5,491</u>	<u>35,800</u>	<u>833,412</u>
Total Historical Cost	887,343	5,491	35,800	857,034
Accumulated Depreciation				
Technology Equipment	23,622			23,622
General Equipment	<u>732,172</u>	<u>22,397</u>	<u>35,800</u>	<u>718,769</u>
Total Accumulated Depreciation	755,794	22,397	35,800	742,391
Capital Assets - Net	131,549	(16,906)	0	114,643

BOYLE COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2018

NOTE E – BONDED DEBT AND LEASE OBLIGATIONS

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

Issue Date	Proceeds	Interest Rates
2004	\$515,000	3.00% -5.00%
2007	\$1,490,000	3.60% -4.00%
2010	\$2,765,000	4.5%
2010R	\$5,395,000	1.00% - 3.00%
2011	\$2,095,000	1.00% - 4.25%
2012	\$1,320,000	2.83%
2012QZAB	\$2,823,000	4.08%
2013R	\$4,315,000	1.91% - 2.00%
2016R	\$855,000	2.35%
2016	\$1,895,000	2.00% - 3.25%
2018	\$32,555,000	3.00% - 3.75%

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

There are a number of limitations and restrictions contained in the various bond indentures. Management has indicated that the District is in compliance with all significant limitations and restrictions as of June 30, 2018.

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

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the maturity, the minimum obligations of the District, including amounts to be paid by the Commission at June 30, 2018, for debt service (principal and interest) are as follows:

BOYLE COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2018

NOTE E - BONDED DEBT AND LEASE OBLIGATIONS (continued)

Year	Boyle County School		SFCC		Urgent Principal	Needs Interest	Sinking Fund		U.S.	
	Principal	Interest	Principal	Interest			Boyle	SFCC	Treasury	Total
2018-19	1,124,240	907,053	439,800	150,738	465,960	393,001	24,547	70,118	112,920	3,688,377
2019-20	1,161,324	873,337	452,645	137,892	481,031	377,934	24,547	70,118	112,920	3,691,748
2020-21	1,192,829	839,978	466,709	123,828	495,462	363,503	24,547	70,118	112,920	3,689,894
2021-22	1,234,265	800,220	345,410	110,204	510,325	348,639	24,547	70,118	112,920	3,556,648
2022-23	1,264,026	769,292	355,339	100,119	525,635	333,329	24,547	70,118	112,920	3,555,325
2023-24	1,292,566	737,434	366,030	89,426	541,404	317,560	24,547	70,118	112,920	3,552,005
2024-25	1,325,908	704,469	336,446	78,202	557,646	301,318	24,547	70,118	112,920	3,511,574
2025-26	1,359,412	670,485	331,212	68,654	574,376	284,589	24,547	70,118	112,920	3,496,313
2026-27	1,389,809	641,529	293,584	59,216	591,607	267,358	24,547	70,118	112,920	3,450,688
2027-28	1,436,654	597,150	223,991	49,743	609,355	249,609	24,547	70,118	112,920	3,374,087
2028-29	1,485,204	549,350	232,160	41,572	627,636	231,329	24,547	70,118	112,920	3,374,836
2029-30	1,532,902	500,555	240,633	33,098	646,465	212,500	24,547	70,118	112,920	3,373,738
2030-31	1,580,472	449,958	193,669	24,052	665,859	193,106	24,547	70,118	112,920	3,314,701
2031-32	1,629,442	400,146	88,891	16,779	686,667	172,298	24,548	70,118	112,920	3,201,809
2032-33	1,680,195	349,402	91,680	13,989	708,125	150,839	24,548	70,118	112,920	3,201,816
2033-34	1,660,139	299,370	94,607	11,063	730,254	128,710	94,666	0	112,920	3,131,729
2034-35	1,718,330	245,417	97,683	7,988	753,987	104,977	94,666	0	112,920	3,135,968
2035-36	4,592,945	189,570	46,563	4,813	778,492	80,473	94,666	0	112,920	5,900,442
2036-37	1,923,130	132,047	48,077	3,300	803,793	55,172	0	0	0	2,965,519
2037-38	<u>1,989,380</u>	<u>67,142</u>	<u>49,699</u>	<u>1,678</u>	<u>830,921</u>	<u>28,044</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,966,864</u>
Totals	32,573,172	10,723,904	4,794,828	1,126,354	12,585,000	4,594,288	652,205	1,051,770	2,032,560	70,134,081

BOYLE COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2018

NOTE E – BONDED DEBT AND LEASE OBLIGATIONS (continued)

Long-term liability activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds	\$18,588,000	\$32,555,000	\$1,190,000	\$49,953,000	\$2,030,000
Capital Leases	\$15,893	\$0	\$15,893	\$0	\$0
Sick Leave	\$335,561	\$100,401	\$63,355	\$372,607	\$0
KSBIT Assessment	<u>\$102,327</u>		<u>\$34,109</u>	<u>\$68,218</u>	<u>\$34,109</u>
Totals	\$19,041,781	\$32,655,401	\$1,303,357	\$50,393,825	\$2,064,109

NOTE F – NONCAPITAL LEASES

Commitments under operating lease agreements for building provide the minimum future rental payments as of June 30, 2018 as follows:

Year Ending June 30, 2019	\$ 36,000
2020	36,000
2021	36,000
2022	0
2023	0
Later years	<u>0</u>
Total	\$ 108,000

NOTE G – INSURANCE AND RELATED ACTIVITIES

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

NOTE H - CONTINGENCIES

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

BOYLE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2018

NOTE I – ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon retirement from the school system, an employee will receive from the district an amount equal to 30% of the value of accumulated sick leave. At June 30, 2018, this amount totaled \$372,607.

NOTE J – INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2018, consisted of the following:

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

NOTE K – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District purchases various commercial insurance policies.

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

NOTE L – DEFICIT OPERATING/FUND BALANCES

Funds with a current year deficit of revenues over expenditures

Fund 310	(40,528)
Fund 320	(557,821)
Fund 400	(19,285)

NOTE M – COBRA

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

BOYLE COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2018

NOTE N – TRANSFER OF FUNDS

The following transfers were made during the year.

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	1	2	KETS Matching	\$ 50,113
Operating	2	1	Indirect Cost	2,206
Operating	1	400	Bond Payment	16,489
Operating	310	360	Construction	205,756
Operating	320	360	Construction	1,283,593
Operating	400	360	Construction	33,871,061
Debt Service	310	400	Bond Payment	74,196
Debt Service	320	400	Bond Payment	905,847

NOTE O – ON-BEHALF PAYMENTS

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

Health Insurance	\$ 2,871,959
Life Insurance	4,427
Administrative Fees	36,556
Health Reimbursement Account	118,396
Federal Reimbursement	(64,633)
TRS	4,335,031
Technology On Behalf Payments	70,595
Debt Service On Behalf Payments	<u>640,312</u>
Total On-Behalf Payments	\$ 8,012,643
General Fund	\$ 7,162,358
Debt Service	640,312
Food Service	203,429

NOTE P – KSBIT JUDGMENT

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

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

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2019	34,109
2020	<u>34,109</u>
Total	\$ 68,218

BOYLE COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2018

NOTE Q – GASB 68 AND GASB 71

In March 2009, the Governmental Accounting Standards Board (GASB) approved Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement 68 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. In November 2013, the GASB approved Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which amends paragraph 13 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of the statement must be implemented by the District no later than the fiscal year beginning July 1, 2014.

The provisions of GASB 75 were adopted by the District for the fiscal year beginning July 1, 2017. The primary objective of the Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

NOTE R – GENERAL INFORMATION ABOUT THE PENSION PLANS

Pension Liability	Governmental	Food Service
CERS	\$ 5,701,686	\$ 902,074
OPEB Liability		
CERS	\$ 1,958,267	\$ 309,821
TRS	<u>7,878,000</u>	<u>0</u>
Total	\$ 9,836,267	\$ 309,821
Deferred Outflows		
CERS Subsequent Contributions	\$ 362,690	\$ 48,014
CERS Other Pension	1,520,365	240,539
CERS OPEB Subsequent Contributions	122,976	16,280
CERS Other OPEB	426,107	67,415
TRS Subsequent Contributions	<u>455,592</u>	<u>0</u>
Total	\$2,887,730	\$ 372,248
Deferred Inflows		
CERS Pension	\$ 608,612	\$ 96,290
CERS OPEB	102,530	16,222
KTRS OPEB	<u>100,000</u>	<u>0</u>
Total	\$ 811,142	\$ 112,512

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

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

Plan Description – Teaching-certified employees of the District are provided pensions through the Teachers' Retirement System of the State of Kentucky (TRS) – a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public education agencies in the state. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at <http://trs.ky.gov/financial-reports-information>.

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

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

Participants that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university members with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New members (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service less than ten years. New members after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of services, including the first ten years. In addition, members who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for members hired on or after that date.

Final average salary is defined as the member's five (5) highest annual salaries for those with less than 27 years of service. Members at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. TRS also provides disability benefits for vested members at the rate of sixty (60) percent of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing members and \$5,000 for retired or disabled members.

Cost of living increases are one and one-half (1.5) percent annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

Contributions - Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university members are required to contribute 12.855% of their salaries to the System.

BOYLE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2018

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

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions of the amount 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district and regional cooperative members whose salaries are federally funded, the employer contributes 16.105% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

Medical Insurance Plan

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

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

Funding policy – In order to fund the post-retirement healthcare benefit, seven and one-half percent (7.50%) of the gross annual payroll of members is contributed. Three and three quarters percent (3.75%) is paid by member contributions and three quarters percent (.75%) from state appropriation and three percent (3.00%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

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

At June 30, 2018, the Kentucky School District did not report a liability for its proportionate share of the net pension liability because the State of Kentucky provides the pension support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

State's proportionate share of the net pension liability associated with the District	<u>\$ 113,203,135</u>
---	-----------------------

BOYLE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2018

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

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2017, the District's proportion was 0.4195 percent.

For the year ended June 30, 2018, the District recognized pension expense of \$4,022,043 and revenue of \$4,022,043 for support provided by the State.

Actuarial assumptions – The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.50%, net of pension plan investment expense, including inflation.
Projected salary increases	3.50 – 7.30%, including inflation
Inflation rate	3.00%
Municipal Bond Index Rate	3.56%
Single Equivalent Interest Rate	4.49%

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale BB to 2025 set forward two years for males and one year for females.

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

BOYLE COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2018

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS’s investment consultant, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	42.0%	4.4%
International Equity	20.0%	5.3%
Fixed Income	16.0%	1.5%
Additional Categories	9.0%	3.6%
Real Estate	5.0%	4.4%
Private Equity	6.0%	6.7%
Cash	2.0%	0.8%
Total	100.0%	

Discount rate - The discount rate used to measure the total pension liability was 4.49%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67. We assume that Plan member contributions will be made at the current contribution rates and that Employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members until the 2038 plan year and, as a result, the Municipal Bond Index Rate was used in the determination of the SEIR. There was a change in the Municipal Bond Index Rate from the Prior Measurement Date, so as required under GASB 68, the SEIR of 4.49% at the Measurement Date was calculated using the Municipal Bond Index Rate as of the Measurement Date (3.56%). This change in the discount rate is considered a change in actuarial assumptions or other inputs under GASB 68.

The following table presents the District’s proportionate share of the net pension liability of the System, calculated using the discount rate of 4.49%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.49%) or 1-percentage-point higher (5.49%) than the current rate (\$ thousands):

	1% Decrease (3.49%)	Current Discount Rate (4.49%)	1% Increase (5.49%)
System's net pension liability	\$140,325	\$113,203	\$90,943

BOYLE COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2018

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

Pension plan fiduciary net position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued TRS financial report. June 30, 2016 is the actuarial valuation date upon which the TPL is based. The TPL from this valuation was determined using a discount rate of 4.49%, which was based on a municipal bond index rate as of that date equal to 3.56%. The TPL used last year was determined using a discount rate equal to 4.20%, which as based on a municipal bond index rate of 3.01%. These two amounts are rolled forward to June 30, 2017 using standard roll forward techniques. The roll forward calculation adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year and then applies the assumed interest rate (SEIR) for the year. The difference between the two roll-forward amounts as of June 30, 2017 is the gain or loss due to changes in assumptions and other inputs.

In addition, we have determined an expected TPL as of June 30, 2017 based on the TPL roll-forward in the June 30, 2016 GASB 67 report. The difference between this amount and the roll-forward of the actual TPL based on the 4.20% interest rate is reflected as an experience gain or loss for the year.

The Total OPEB Liability (TOL) as of June 30, 2017 was determined based on an actuarial valuation prepared as of June 30, 2016, using the following actuarial assumptions and other inputs:

Inflation	3.00%
Real wage growth	0.50%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% - 7.20%
Long-term Investment Rate of Return, net of OPEB plan investment expense, including Inflation	
MIF	8.00%
LIF	7.50%
Municipal Bond Index Rate	3.56%
Year FNP is projected to be depleted	
MIF	n/a
LIF	n/a
Single Equivalent Interest Rate, net of OPEB Plan investment expense, including price Inflation	
MIF	8.00%
LIF	7.50%
MIF Health Care Cost Trends	
Under Age 65	7.75% for FYE 2017 decreasing to an Ultimate rate of 5.00% by FYE 2023
Ages 65 and Older	5.75% for FYE 2017 decreasing to an Ultimate rate of 5.00% by FYE 2020
Medicare Part B Premiums	1.02% for FYE 2017 with an ultimate Rate of 5.00% by 2029

BOYLE COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2018

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

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disable Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2016 valuation were based on a review of recent plan experience done concurrently with the June 30, 2016 valuation.

The following exhibit presents the NOL of the Plan, calculated using the health care cost trend rates, as well as what the Plan's NOL would be if it were calculated using a health care cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate. This chart is not shown for the Life Insurance Fund (LIF) since there is no health care trend component of the liabilities:

	<u>Health Care Cost Trend Rate Sensitivity</u>		
	1% Decrease	Current	1% Increase
MIF Net OPEB Liability	\$11,987,000	\$14,313,000	\$17,186,000

Discount rate (SEIR): The discount rate used to measure the TOL at June 30, 2017 was 8.00% for the MIF and 7.50% for the LIF.

Projected cash flows:

MIF Discount rate (SEIR). The discount rate used to measure the TOL as of the Measurement Date was 8.00%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The projection's basis was an actuarial valuation performed as of June 30, 2016.

The MIF's FNP was not projected to be depleted.

LIF Discount rate (SEIR). The discount rate used to measure the TOL as of the Measurement Date was 7.50%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The projection's basis was an actuarial valuation performed as of June 30, 2016.

The LIF's FNP was not projected to be depleted.

Long-term rate of return. The long-term expected rate of return on OPEB plan investments will be determined based on the allocation of assets by asset class and by the mean and variance of real returns.

Municipal bond rate. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. The rate used, if necessary, for this purpose is the monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate (formerly published monthly by the Board of Governors of the Federal Reserve System).

BOYLE COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2018

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

Periods of projected benefit payments: Projected future benefit payments for all current plan members were projected through 2115.

Assumed asset allocation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS’s investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>MIF</u>	30 Year Expected Geometric <u>Real Rate of Return</u>
	Target <u>Allocation</u>	
Global Equity	60.0%	5.1%
Fixed Income	9.0%	1.2%
Real Estate	4.5%	4.0%
Private Equity	5.5%	6.6%
High Yield	10.0%	4.3%
Other Additional Categories *	10.0%	3.3%
Cash (LIBOR)	<u>1.0%</u>	0.5%
Total	100.0%	

* Modeled as 50% High Yield and 50% Bank Loans

<u>Asset Class</u>	<u>LIF</u>	30 Year Expected Geometric <u>Real Rate of Return</u>
	Target <u>Allocation</u>	
U.S. Large Cap Equity	38.40%	4.30%
U.S. Small Cap Equity	2.60%	4.80%
Developed Int'l Equity	15.80%	5.20%
Emerging Markets Equity	4.20%	5.40%
Fixed Income - Inv Grade	16.00%	1.20%
Real Estate	6.00%	4.00%
Private Equity	7.00%	6.60%
High Yield	2.00%	4.30%
Other Additional Categories **	7.0*	3.30%
Cash (LIBOR)	<u>2.00%</u>	0.50%
Total	100.00%	

* As the LIF investment policy is to change, the above table reflects the pension allocation and returns that achieve the targeted 7.5% long-term rate of return.

** Modeled as 50% High Yield and 50% Bank Loans.

BOYLE COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2018

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

The following exhibit presents the NOL of the Plan, calculated using the discount rate of 8.0% for the MIF as well as the System’s NOL calculated using a discount rate that is 1-percentage-point lower (7.0%) or 1-percentage-point higher (9.0% for the MIF) than the current rate.

	Discount Rate Sensitivity		
	1% Decrease	Current Discount Rate	1% Increase
MIF Net OPEB Liability	16,668,000	14,313,000	12,353,000

There is no LIF Net OPEB Liability.

The Collective NOL amounts are shown in Schedule B of the GASB Statement No. 75 Report for the Teachers Retirement System of the State of Kentucky. The report can be found on their website. There is no special funding situation.

The District’s proportion of the collective NOL for the year is 0.220937%. The prior year information is not available.

June 30, 2016 is the actuarial valuation date upon which the TOL is based. The result is rolled forward using standard actuarial techniques to the measurement date. The roll forward calculation adds the normal cost (also called the service cost) for the period July 1, 2016 through June 30, 2017, subtracts the actual benefit payments for the same period and then applies the expected investment rate of return for the period. If applicable, actuarial gains and losses arising from benefit changes, the differences between estimates and actual experience, and changes in assumptions or other inputs are reconciled to the TOL as of the Measurement Date. The procedure used to determine the TOL as of June 30, 2017 can be found in the GASB Statement No. 75 Report for the Teachers Retirement System of the State of Kentucky. The report can be found on their website.

The following change was made to the assumptions as noted:

Changes to benefit terms:

June 30, 2017 (Valuation Date: June 30, 2016)

MIF – With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retired prior to July 1, 2010 is restored, but the State will only finance, via its KEHP “shared responsibility” contributions, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010.

LIF-None

Changes to assumptions or other inputs – none.

BOYLE COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2018

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

There were no changes between the measurement date of the collective net OPEB liability and the employer's reporting date.

Please see Section V of the report on the website for the development of the collective OPEB expense. The District's proportionate share of the net OPEB expense is \$513,000, the state contributed \$432,000 on behalf of the District for a total OPEB expense of \$945,000.

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

The collective amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Deferred Amounts to be recognized in Fiscal Years Ending	Deferred Outflows/ (Inflows) of Resources MIF
2019	(\$25,000)
2020	(\$25,000)
2021	(\$25,000)
2022	(\$25,000)
2023	\$0
thereafter	\$0

There are no deferred outflows of resources or deferred inflows of resources for LIF.

There are no non-employer contributions recognized for the support provided by non-employer contributing entities in PEEHIP.

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

KENTUCKY RETIREMENT SYSTEM

County Employees Retirement System (CERS)

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

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

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

Contributions: Funding for CERS is provided by members who contribute 5% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions and by employers of members who contribute 19.18% of the member's salary. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

At June 30, 2018, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2016. An expected total pension liability as of June 30, 2017 was determined using standard roll-forward techniques. The District's proportion of the net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2017. At June 30, 2016, the District's proportion was .112821%.

For the year ended June 30, 2018, the District recognized pension expense of \$1,054,836. At June 30, 2018, the District reported deferred outflows of resources for District contributions subsequent to the measurement date of \$410,704, deferred outflows of resources from change of assumptions and expectations of \$1,760,904 and deferred inflows of resources related to pensions from the net difference between projected and actual earnings on pension plan investments in the amount of \$704,902.

BOYLE COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2018

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

District contributions subsequent to the measurement date of \$410,704 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to CERS will be recognized in pension expense as follows:

<u>Year</u>	Deferred Outflows (Inflows)
2018	\$ 458,970
2019	474,383
2020	207,443
2021	(84,796)
2022	<u>0</u>
	<u>\$ 1,056,000</u>

Actuarial Methods and Assumptions: The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2017. The financial reporting actuarial valuation as of June 30, 2017, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2016
Experience Study	July 1, 2008 – June 30, 2013
Remaining Amortization Period	28 years, closed
Inflation	2.30%
Salary Increase	2.0%, average, including inflation
Investment Rate of Return	6.25%, net of pension plan investment expense, including inflation

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for KRS. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense, and inflation) were developed by the investment consultant for each major asset class. These ranges were

BOYLE COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2018

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

combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by CERS's investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Combined Equity	44.0%	5.40%
Combined Fixed Income	19.0%	1.50%
Real Return (Diversified Inflation Strategies)	10.0%	3.50%
Real Estate	5.0%	4.50%
Absolute Return (Diversified Hedge Funds)	10.0%	4.25 %
Private Equity	10.0%	8.50%
Cash Equivalent	<u>2.0%</u>	-0.25%
	<u>100.0%</u>	

Discount Rate: The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 28 year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projected period.

The Schedule of Deferred Inflows and Outflows, and Pension Expense include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The Schedule does not include deferred outflows/inflows of resources for changes in the employer's proportionate share of contributions or employer contributions made subsequent to the measurement date. The net pension liability as of June 30, 2018, is based on the June 30, 2016, actuarial valuation. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period.

BOYLE COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2018

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

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.25 %, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25 %) or 1-percentage-point higher (7.25 %) than the current rate:

	1% Decrease <u>(5.25%)</u>	Current discount rate <u>(6.25%)</u>	1% Increase <u>(7.25%)</u>
District's proportionate share of the net pension liability	\$ 8,328,769	\$ 6,603,760	\$ 5,160,803

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

Payables to the pension plan: At June 30, 2018 the District had payables to CERS in the amount of \$0 for June's covered payroll with contributions required to be paid in July.

OPEB

CERS Non-hazardous Insurance Fund is a cost-sharing multiple-employer defined benefit Other Postemployment Benefits (OPEB) plan for members that cover all regular full-time members. The plan provides for health insurance benefits to plan members. OPEB may be extended to beneficiaries of plan members under certain circumstances.

The net OPEB liability is the total OPEB liability, less the amount of the plan's fiduciary net position. The total OPEB liability, net OPEB liability, and sensitivity information shown in this report are based on an actuarial valuation performed as of June 30, 2016. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2017, using generally accepted actuarial principles. There was no legislation enacted during the 2017 legislative session that had a material change in benefit provisions for any of the systems. However, subsequent to the actuarial valuation date, but prior to the measurement date, the KRS Board of Trustees adopted updated actuarial assumption which will be used in performing the actuarial valuation as of June 30, 2017. Specifically, Total OPEB Liability as of June 30, 2017 is determined using a 2.30% price inflation assumption and an assumed rate of return of 6.25%

The single discount rate of 5.84% was used to measure the total OPEB liability as of June 30, 2017. The single discount rate is based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 3.56%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2017. Future contributions are projected in accordance with the Board's current funding policy, which includes the requirement that each participating employer in the System contribute the actuarially determined contribution rate, which is determined using a closed funding period (26 years as of June 30, 2017) and the actuarial assumptions and methods adopted by the Board of Trustees. Current assets, future

BOYLE COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2018

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

contributions, and investment earnings are projected to be sufficient to pay the projected benefit payments from the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the System's actuarial determined contributions, and it is our understanding that any cost associated with the implicit subsidy will not be paid out of the System's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The District's proportionate share of the Net OPEB Liability as of June 30, 2017 is \$2,268,088. The District's proportionate share is 0.112821%. The District's proportionate share of the OPEB expense is \$258,457. The total Deferred Outflows of Resources is \$493,522 and the total Deferred Inflows of Resources is \$118,752. Total employer contributions were \$129,930, implicit subsidy was \$14,231 for a total contributions of \$144,161.

Investment return rate: Assumed annual rate of 6.25% net of investment expenses.

Discount Rate: 5.84%.

Price Inflation: Assumed annual rate of 2.30%.

Payroll Growth Assumption (used for amortization of unfunded accrued liabilities): Assumed annual rate of 2.00%.

Rates of Annual Salary Increase is available in the report on the state's website.

	Discount Rate Sensitivity		
	1%	Current	1%
	Decrease	Discount Rate	Increase
	4.84%	5.84%	6.84%
Net OPEB Liability	2,886,016	2,268,088	1,753,875

	Healthcare Cost Trend Rate Sensitivity		
	1%	Current	1%
	Decrease	Discount Rate	Increase
Net OPEB Liability	1,753,875	2,268,088	1,739,740

BOYLE COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2018

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

The actuarially determined contribution rates effective for fiscal year ending 2017 are calculated as of June 30, 2015. Based on the June 30, 2015 actuarial valuation report the actuarial methods and assumptions used to calculate these contribution rates are below:

<u>Item</u>	<u>CERS Non-Hazardous</u>
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization Method	Level Percent of Pay
Amortization Period	28 Years, Closed
Payroll Growth Rate	4.00%
Investment Return	7.50%
Inflation	3.25%
Salary Increases	4.00%, average
Mortality	RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)
Healthcare Trend Rates (Pre-65)	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years.
Healthcare Trend Rates (Post-65)	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years.

BOYLE COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2018

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

The following is a summary of collective deferred outflows and Inflows of Resources arising from current and prior reporting periods.

Deferred Amounts to be recognized in Fiscal Years Ending	Deferred Outflows/ (Inflows) of Resources MIF
2018	\$64,483
2019	\$64,483
2020	\$64,483
2021	\$64,483
2022	\$91,280
thereafter	<u>\$25,559</u>
Total	\$374,771

NOTE S – PRIOR PERIOD ADJUSTMENT

Restatement of Net Position – District Wide

	Governmental	Proprietary
OPEB Liability 7-1-2017	\$(9,336,007)	\$(243,014)
Net Position 7-1-2017	<u>9,786,513</u>	<u>(216,811)</u>
Restatement of Beginning Net Position	\$ 450,506	\$(459,825)

The District adopted GASB 75 during the fiscal year, recording their proportionate share of the OPEB liability.

NOTE T – REISSUANCE

The financial statements were issued to correct the following

	Original	Corrected	Change
Page 10 – Instruction	\$ 26,950	\$ 19,150	\$ 7,800
Page 10 – Change in Net Position	(6,948)	852	7,800
Page 10 - Prior Period Adjustment	(1,536)	(9,336)	7,800
Page 13 – Instruction	26,949,607	19,149,607	7,800,000
Page 13 – Change in Net Position	(6,947,588)	852,412	7,800,000
Page 13 – Prior Period Adjustment	(1,536,007)	(9,336,007)	7,800,000
Page 17 – Change in OPEB Liability	(8,300,260)	(500,260)	7,800,000
Page 17 - Total Change in Net Position	(6,947,588)	852,412	7,800,000

SUPPLEMENTARY INFORMATION

BOYLE COUNTY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
 For The Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Taxes	7,396,271	7,455,313	8,249,451	794,138
Other Local Sources	65,000	96,500	154,225	57,725
State Sources	<u>14,638,279</u>	<u>14,638,279</u>	<u>17,792,211</u>	<u>3,153,932</u>
TOTAL REVENUES	22,099,550	22,190,092	26,195,887	4,005,795
EXPENDITURES				
Instruction	11,289,626	12,987,156	16,177,496	(3,190,340)
Support Services				
Student	1,083,760	1,080,373	1,228,087	(147,714)
Instructional Staff	2,299,402	753,122	654,850	98,272
District Administration	1,611,750	1,578,683	1,000,073	578,610
School Administration	1,212,396	1,213,190	1,287,660	(74,470)
Business	885,320	974,540	979,234	(4,694)
Plant Operation and Maintenance	1,508,758	1,482,221	1,683,650	(201,429)
Student Transportation	1,800,194	1,772,225	1,533,539	238,686
Other Instructional	10,427	10,427	7,665	2,762
Community Services	1,280,787	1,322,573	928,249	394,324
Facilities	810,000	810,000		810,000
Contingency	<u>3,583,691</u>	<u>5,199,156</u>		<u>5,199,156</u>
TOTAL EXPENDITURES	27,376,111	29,183,666	25,480,503	3,703,163
Excess (Deficit) of Revenues Over Expenditures	(5,276,561)	(6,993,574)	715,384	7,708,958
OTHER FINANCING SOURCES (USES)				
Sale of Assets			24,840	24,840
Operating Transfers In	2,191	2,191	2,206	15
Operating Transfers Out	<u>(73,489)</u>	<u>(73,489)</u>	<u>(66,602)</u>	<u>6,887</u>
TOTAL OTHER FINANCING SOURCES (USES)	(71,298)	(71,298)	(39,556)	31,742
Excesss (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(5,347,859)	(7,064,872)	675,828	7,740,700
Fund Balance, July 1, 2017	<u>5,347,859</u>	<u>7,074,072</u>	<u>8,237,721</u>	<u>1,163,649</u>
Fund Balance, June 30, 2018	\$0	\$9,200	\$8,913,549	\$8,904,349

BOYLE COUNTY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE FOR SPECIAL REVENUE
 For The Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable <u>(Unfavorable)</u>
REVENUES				
State Sources	\$859,607	\$1,261,731	\$1,249,904	(11,827)
Federal Sources	623,399	1,321,511	1,282,336	(39,175)
Local Sources	<u>0</u>	<u>36,400</u>	<u>334,674</u>	<u>298,274</u>
TOTAL REVENUES	1,483,006	2,619,642	2,866,914	247,272
EXPENDITURES				
Instruction	1,017,783	1,730,343	1,875,294	(144,951)
Support Services				
Student	2,500	148,000	96,389	51,611
Instructional Staff	517,532	596,776	675,212	(78,436)
Plant Operations & Maintenance	0	13,689	0	13,689
Student Transportation	0	0	24,224	(24,224)
Day Care Operations	0	5,960	27,987	(22,027)
Community Service Operations	<u>0</u>	<u>211,032</u>	<u>215,215</u>	<u>(4,183)</u>
TOTAL EXPENDITURES	1,537,815	2,705,800	2,914,321	(208,521)
Excess (Deficit) of Revenues Over Expenditures	(54,809)	(86,158)	(47,407)	38,751
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	57,000	102,053	50,113	(51,940)
Operating Transfers Out	<u>(2,191)</u>	<u>(2,478)</u>	<u>(2,206)</u>	<u>272</u>
TOTAL OTHER FINANCING SOURCES (USES)	54,809	99,575	47,907	(51,668)
Excesss (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	0	13,417	500	(12,917)
Restricted Fund Balance, July 1, 2017	<u>0</u>	<u>386,907</u>	<u>222,887</u>	<u>(164,020)</u>
Restricted Fund Balance, June 30, 2018	\$0	\$400,324	\$223,387	(\$176,937)

BOYLE COUNTY SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 For The Year Ended June 30, 2018

	2018	2017	2016	2015
District's proportion of the net pension liability (asset)				
TRS	\$0	\$0	\$0	\$0
CERS	<u>\$6,603,760</u>	<u>\$5,679,180</u>	<u>\$4,918,130</u>	<u>\$3,877,000</u>
Total	\$6,603,760	\$5,679,180	\$4,918,130	\$3,877,000
District's proportionate share of the net pension liability (asset)				
TRS	0	0	0	0
CERS	0.112821%	0.115350%	0.114390%	0.119503%
State's proportionate share of the net pension liability (asset) associated with the District				
TRS	\$113,203,135	\$121,213,583	\$96,513,321	\$76,313,459
District's covered employee payroll				
TRS	\$13,289,965	\$12,472,513	\$12,221,235	\$11,628,199
CERS	\$2,747,289	\$2,732,188	\$2,771,746	\$2,860,163
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll				
TRS	0	0	0	0
CERS	240.37%	207.86%	177.44%	135.55%

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

BOYLE COUNTY SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT PENSION CONTRIBUTIONS
 For The Year Ended June 30, 2018

	2018	2017	2016	2015
Contractually required contributions				
TRS	\$486,362	\$406,078	\$261,545	\$224,884
CERS	<u>\$383,196</u>	<u>\$327,703</u>	<u>\$341,522</u>	<u>\$519,429</u>
Total	\$869,558	\$733,781	\$603,067	\$744,313
Contributions in relation to the contractually required contribution				
TRS	\$486,362	\$406,078	\$261,545	\$224,884
CERS	<u>\$383,196</u>	<u>\$327,703</u>	<u>\$341,522</u>	<u>\$519,429</u>
Total	\$869,558	\$733,781	\$603,067	\$744,313
Contribution deficiency (excess)				
TRS	\$0	\$0	\$0	\$0
CERS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total	\$0	\$0	\$0	\$0
District's covered employee payroll				
TRS	\$13,289,965	\$12,472,513	\$12,221,235	\$11,628,199
CERS	<u>\$2,747,289</u>	<u>\$2,732,188</u>	<u>\$2,771,746</u>	<u>\$2,860,163</u>
Total	\$16,037,254	\$15,204,701	\$14,992,981	\$14,488,362
Contributions as a percentage of covered employee payroll				
TRS	3.66%	3.26%	2.14%	1.93%
CERS	13.95%	11.99%	12.32%	18.16%

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

BOYLE COUNTY SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 For The Year Ended June 30, 2018

	2018
District's proportion of the net OPEB liability (asset)	
CERS	\$2,268,088
TRS - Medical Insurance	\$7,878,000
TRS - Life Insurance	<u>\$0</u>
Total	\$10,146,088
District's proportionate share of the net OPEB liability (asset)	
CERS	0.112821%
TRS - Medical Insurance	0.220937%
TRS - Life Insurance	0.000000%
Total	
State's proportionate share of the net OPEB liability (asset) associated with the District	
TRS - Medical Insurance	\$6,435,000
TRS - Life Insurance	<u>\$86,000</u>
Total	\$6,521,000
District's covered employee payroll	
TRS	\$13,289,965
CERS	\$2,747,289
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	
CERS	82.56%
TRS - Medical Insurance	59.28%
TRS - Life Insurance	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	
CERS	52.40%
TRS - Medical Insurance	21.18%
TRS - Life Insurance	79.99%

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

BOYLE SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
 For The Year Ended June 30, 2018

	2018
Contractually required contributions	
CERS	\$144,161
TRS - Medical Insurance	\$378,528
TRS - Life Insurance	<u>\$0</u>
Total	\$522,689
Contributions in relation to the contractually required contribution	
CERS	144,161
TRS - Medical Insurance	\$378,528
TRS - Life Insurance	<u>\$0</u>
Total	\$522,689
Contribution deficiency (excess)	
CERS	\$0
TRS - Medical Insurance	\$0
TRS - Life Insurance	<u>\$0</u>
Total	\$0
District's covered employee payroll	
TRS	\$13,289,965
CERS	<u>\$2,747,289</u>
Total	\$4,990,828
Contributions as a percentage of covered employee payroll	
TRS	2.85%
CERS	5.25%

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

BOYLE COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For The Year Ended June 30, 2018

PENSIONS

Changes of benefit terms

TRS - none

CERS -none

Changes of assumptions

TRS - In the 2016 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience.

In the 2016 valuation, the Assumed Salary Scale, Price Inflation, and Wage Inflation were adjusted to reflect a decrease.

CERS

The assumed investment return was changed from 7.50% to 6.25%.

The price inflation assumption was changed from 3.25% to 2.30%, which also resulted in a 0.95% decrease in the salary increase assumption at all years of service.

The payroll growth assumption (applicable for the amortization unfunded actuarial accrued liabilities) was changed from 4.00% to 2.00%.

OPEB

Changes of benefit terms

TRS

The following change was made to the assumptions as noted:

June 30, 2017 (Valuation Date: June 30, 2016)

MIF

With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retired prior to July 1, 2010 is restored, but the State will only finance, via its KEHP "shared responsibility" contributions, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010.

LIF

None

CERS - none

Changes of assumptions

TRS - none

CERS

The assumed investment return was changed from 7.50% to 6.25%.

The price inflation assumption was changed from 3.25% to 2.30%, which also resulted in a 0.95% decrease in the salary increase assumption at all years of service.

The payroll growth assumption (applicable for the amortization of unfunded actuarial accrued liabilities) was changed from 4.00% to 2.00%.

The single discount rate changed from 6.89% to 5.84%.

BOYLE COUNTY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 As of June 30, 2018

	SEEK Capital Outlay Fund	Building Fund	Total
ASSETS AND RESOURCES			
Cash and equivalents	\$0	\$92,543	\$92,543
TOTAL ASSETS AND RESOURCES	\$0	\$92,543	\$92,543
FUND BALANCES			
Restricted - Other		<u>92,543</u>	<u>92,543</u>
TOTAL FUND BALANCES	0	92,543	92,543
TOTAL LIABILITIES AND FUND BALANCES	\$0	\$92,543	\$92,543

BOYLE COUNTY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For The Year Ended June 30, 2018

	SEEK Capital Outlay Fund	Building Fund	Total
REVENUES			
Property Taxes	\$	\$1,222,386	\$1,222,386
Earnings on investments	478	3,883	4,361
Intergovernmental-State	<u>238,946</u>	<u>405,351</u>	<u>644,297</u>
TOTAL REVENUES	239,424	1,631,620	1,871,044
EXPENDITURES			
None			
TOTAL EXPENDITURES	0	0	0
Excess (deficit) revenues over expenditures	239,424	1,631,620	1,871,044
OTHER FINANCING SOURCES (USES)			
Operating transfers out	<u>(279,952)</u>	<u>(2,189,441)</u>	<u>(2,469,393)</u>
TOTAL OTHER FINANCING SOURCES (USES)	(279,952)	(2,189,441)	(2,469,393)
Excess (deficit) revenues and other financing sources over expenditures and other financing uses	(40,528)	(557,821)	(598,349)
Restricted Fund Balance, July 1, 2017	<u>40,528</u>	<u>650,364</u>	<u>690,892</u>
Restricted Fund Balance, June 30, 2018	\$0	\$92,543	\$92,543

BOYLE COUNTY SCHOOL DISTRICT
 COMBINING STATEMENT OF NET POSITION
 AGENCY FUNDS
 As of June 30, 2018

	Boyle County High School	Boyle County Middle School	Junction City Elementary School	Perryville Elementary School	Woodlawn Elementary School	Total
ASSETS						
Cash and equivalents	\$150,493	\$49,656	\$12,620	\$62,187	\$9,776	\$284,732
Accounts receivable	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL ASSETS	\$150,493	\$49,656	\$12,620	\$62,187	\$9,776	\$284,732
LIABILITIES						
Accounts payable	\$3,089	\$545	\$0	\$274	\$0	\$3,908
Due to student groups	<u>147,404</u>	<u>49,111</u>	<u>12,620</u>	<u>61,913</u>	<u>9,776</u>	<u>280,824</u>
TOTAL LIABILITIES	\$150,493	\$49,656	\$12,620	\$62,187	\$9,776	\$284,732

BOYLE COUNTY SCHOOL DISTRICT
 COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS, FUND BALANCE
 AGENCY FUNDS
 For The Year Ended June 30, 2018

	Cash July 1, 2017	Receipts	Disbursements	Cash June 30, 2018	Accounts Receivable Ending	Accounts Payable Ending	Due To Student Groups June 30, 2018
Boyle County High School	\$157,758	\$487,178	\$494,443	\$150,493	\$0	\$3,089	\$147,404
Boyle County Middle School	\$42,740	\$149,152	\$142,236	\$49,656		\$545	\$49,111
Junction City Elementary School	\$11,768	\$20,418	\$19,566	\$12,620			\$12,620
Perryville Elementary School	\$61,524	\$75,651	\$74,988	\$62,187		\$274	\$61,913
Woodlawn Elementary	<u>\$13,615</u>	<u>\$77,166</u>	<u>\$81,005</u>	<u>\$9,776</u>	<u>0</u>	<u>0</u>	<u>\$9,776</u>
TOTAL ACTIVITY FUNDS	\$287,405	\$809,565	\$812,238	\$284,732	\$0	\$3,908	\$280,824

BOYLE COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS
BOYLE COUNTY HIGH SCHOOL
For The Year Ended June 30, 2018

	Cash				Cash	Accounts	Accounts	Due To
	Beginning	Receipts	Disbursements	Transfers	Ending	Receivable	Payable	Student Groups
						Ending	Ending	Ending
						\$0	\$0	\$2,926
Administrative Exp.	\$3,791	\$132	\$997		\$2,926			\$2,926
ACT Test	92			(92)	0			0
Activity Fee	7,000	7,000	7,000		7,000			7,000
General	6,964	3,367	1,076	281	9,536		175	9,361
Vending	6,898	1,586	1,990	92	6,586			6,586
Guidance Office	3,062	24,460	19,272		8,250			8,250
Bass Fishing Team	3,836	18,735	14,598		7,973		1,691	6,282
Chromebooks	2,708	3,886	5,606		988			988
Improv Club	330	335			665			665
Youth Service Center	553	1,300	427	(55)	1,371			1,371
Elementary Girls Basket	1,046	795	1,217		624			624
Elementary Boys Basket	700				700			700
AP Government	64	6,269	6,333		0			0
Project Graduation	1,430	19,546	21,617	2,077	1,436			1,436
Archery	0	1,597	1,597		0			0
Bowling	0	482			482			482
Mock Trial	0	1,725	1,050		675			675
Water Watch Grant	0	1,000			1,000			1,000
Athletics	15,638	114,202	117,421	(60)	12,359		237	12,122
Athletic Trainer	1,735	1,679	1,622		1,792			1,792
Baseball	2,243	750	2,179		814			814
Basketball-Boys	4,730	4,397	6,651	(20)	2,456			2,456
Basketball-Girls	1,937		383		1,554			1,554
Cheerleaders	584	10,755	10,093		1,246			1,246
Cross Country	4,522	3,973	3,337	(15)	5,143			5,143
Volleyball	683	2,160	2,027		816			816
Boys Golf	2,270	2,273	1,279		3,264			3,264
Girls Golf	1,096	1,873	1,908		1,061			1,061
Girls Soccer	15	4,235	4,235		15			15
Softball	0	1,140	1,140		0			0
Swim Team	230	6,743	6,565		408			408
Tennis	66	3,112	2,605		573			573
A.D. Discretionary	2,114		2,114		0			0
Art Club	597	640	830		407			407
National Honor Society	676	1,660	1,336	(16)	984			984
DECA	4,534	2,277	4,423		2,388			2,388
STLP	94	220			314			314
F.C.A.	790		333		457			457
TSA	842	1,070	1,912		0			0
FCCLA	5	9,663	12,966	3,873	575			575
HOSA	917	3,083	3,384		616			616
Allied Health	115	1,020	800		335		147	188
Drama Club	325	2,758	3,083		0			0
Forensics	44	425	469		0			0
FCCLA Regional	4,748		4,748		0			0
Key Club	420	937	768		589			589
Pep Club	909	325	667	(50)	517		142	375
Book Club	9	1,127	890		246			246
Spanish Club	236	53	225		64			64
Outdoor Club	97	266			363			363
Change of Heart	31				31			31
Y Club	0	20,712	19,723	55	1,044			1,044

BOYLE COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS
BOYLE COUNTY HIGH SCHOOL
For The Year Ended June 30, 2018

	Cash				Cash	Accounts	Accounts	Due To
	Beginning	Receipts	Disbursements	Transfers	Ending	Receivable	Payable	Student Groups
						Ending	Ending	Ending
Rebel Zone	9,873	12,752	11,504	(250)	10,871		97	10,774
FMD Class Project	271	155	225		201			201
Ag Mech	1,264	1,500	2,701		63			63
Inkspot	226		226		0			0
Academic Team	0	523	384		139			139
Horticulture	18,967	20,111	20,297	56	18,837			18,837
Language Arts	265	1,537	1,468		334			334
Foreign Language	1	1,305	1,280		26			26
Library	3,601	1,692	806	520	5,007			5,007
Math	11	332	332		11			11
Music	3				3			3
Science	1,147	1,545	1,756	(32)	904			904
Environmental Club	38	325		(20)	343			343
Class of 2021	0	820			820			820
Class of 2019	288	9,827	10,115		0			0
Class of 2018	4,522	15,619	17,083	(2,128)	930		600	330
Class of 2020	1,074	975			2,049			2,049
Mass Media	11,248	7,489	11,620		7,117			7,117
Chess Club	209	135			344			344
Gibson's Classroom	205	119	226		98			98
Thomason Teach	64				64			64
Wrestling	471		440		31			31
Aqua Culture	799		100		699			699
School Play	1,895	2,186	2,815		1,266			1,266
Rebel Textiles	4,489	4,999	4,284	(3,274)	1,930			1,930
Ping Pong	589				589			589
PND Bank	6				6			6
Web Journalism	54			(20)	34			34
Yoga	50				50			50
Teacher Fund	357	3,336	2,538	(100)	1,055			1,055
Magic Club	107	183	180		110			110
Boyled Perfection	0	3,004	2,380	(599)	25			25
E Rebel Zone	4				4			4
FFA	3,834	40,293	39,338	(223)	4,566			4,566
Fees - DAF	<u>100</u>	<u>60,673</u>	<u>59,449</u>	<u>0</u>	<u>1,324</u>			<u>1,324</u>
Total	\$157,758	\$487,178	\$494,443	\$0	\$150,493	\$0	\$3,089	\$147,404

BOYLE COUNTY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Year Ended June 30, 2018

Federal Grantor/Passed-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass Through Grantor's Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed through Kentucky Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	7750002 18	\$513,616
National School Lunch Program	10.555	7750002 17	115,417
School Breakfast Program	10.553	7760005 18	158,310
School Breakfast Program	10.553	7760005 17	37,715
Summer Food Service Program for Children	10.559	7690024 17	4,301
Summer Food Service Program for Children	10.559	7740023 17	41,459
Commodities	10.555	not provided	<u>97,067</u>
Total Child Nutrition Cluster			967,885
TOTAL U.S. DEPARTMENT OF AGRICULTURE			967,885
<u>U.S. Department of Education</u>			
Passed through Kentucky Department of Education			
Improving America's School Act of 1994			
Title I, Part A			
Title I Grants to Local Educational Agencies	84.010	3100002 16	1,595
Title I Grants to Local Educational Agencies	84.010	3100002 17	<u>373,973</u>
		subtotal	375,568
Title I, Part D			
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	not provided	13,770
Special Education Cluster (IDEA)			
Special Education-Grants to States (IDEA, Part B)	84.027	3810002 17	613,829
Special Education-Grants to States (IDEA, Part B)	84.027	3810002 16	73,621
Special Education-Grants to States (IDEA, Part B)	84.173	3800002 17	<u>64,578</u>
		subtotal	752,028
Career and Technical Education - Basic Grants To States	84.048	3710002 16	739
Career and Technical Education - Basic Grants To States	84.048	3710002 17	<u>20,543</u>
		subtotal	21,282
Improving Teacher Quality State Grants	84.367	3230002 17	47,601
Supporting Effective Instruction State Grant	84.367	3230002 16	<u>37,042</u>
		subtotal	84,643
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>1,247,291</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$2,215,176

The accompanying notes are an integral part of this schedule

BOYLE COUNTY SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2018

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Boyle County School District (the "District") under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

The District did not use the 10 percent de minimis indirect cost rate.

Note 3 – Food Distribution

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities disbursed, totaling \$97,067.

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

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, Audits of States and Local Governments, and Non-profit Organizations, and the audit requirement prescribed by the Kentucky Committee for School District Audits, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Boyle County Board of Education as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated October 15, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

I noted certain matters that I reported to management of the District in a separate letter dated October 15, 2018.

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.

Denise M. Keene

Denise M. Keene, CPA
Georgetown, Kentucky
October 15, 2018

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited Boyle County School District's (the "District") compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) *Audits of States, Local Governments, and Non-Profit Organizations* and the audit requirements prescribed by the Kentucky Committee for School District Audits. Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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

Denise M. Keene

Denise M. Keene, CPA
Georgetown, Kentucky
October 15, 2018

BOYLE COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2018

Section I – Summary of Auditor’s Results

Financial Statements

An unmodified opinion was issued on the financial statements.

Internal control over financial reporting

Material weakness(es) identified? yes no
Significant deficiency(s) identified yes none reported
Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes no
Significant deficiency(s) identified yes none reported

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

Any audit findings disclosed that are required to be reported
in accordance with section 2 CFR 200.516(a)? yes no

Identification of major programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555, 10.559 84.010	Child Nutrition Cluster Title I

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? yes no

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None Reported

BOYLE COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For The Year Ended June 30, 2018

PRIOR YEAR – FINANCIAL STATEMENT FINDINGS

There were no prior year findings

PRIOR YEAR – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no prior year findings

MANAGEMENT LETTER

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

Boyle County Board of Education
Danville, Kentucky

We have audited the financial statements of the Boyle County School District for the year ended June 30, 2018 and have issued our report thereon dated October 15, 2018. As part of our audit, we made a study and evaluation of the District's system of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the District's financial statements. Our study and evaluation was more limited than would be necessary for expressing an opinion on the system of internal accounting control taken as a whole.

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

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

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

The following items from last year's management letter points were corrected during the current fiscal year as outlined in the District's response: 2017-001, 2017-005, 2017-006, 2017-009, 2017-010, 2017-012.

The following items from last year's management letter points were not corrected: 2017-002, 2017-003, 2017-004, 2017-007, 2017-008, and 2017-011..

Denise M. Keene

Denise M. Keene, CPA
Georgetown, Kentucky
October 15, 2018

CURRENT YEAR MANAGEMENT POINTS

BOYLE COUNTY HIGH SCHOOL

2018-001

According to the Red Book, all checks shall contain the signatures of the principal or designee, and the school treasurer. There was one (1) check with only the bookkeeper's signature. All checks should have two signatures on them prior to being distributed. **This is a repeat from the last two years. (2017-002)**

Management's Response:

From 8/18/18 forward, the school treasurer and Principal will sign checks together to ensure they all have two signatures.

2018-002

Teachers are not turning money into the School Treasurer timely. Testing disclosed money was being held by teachers and not turned in daily as required by the Red Book. I recommend the Principal remind all staff to turn in money daily. **This is a repeat finding from the past three years. (2017-003)**

Management's Response:

This may have been a repeat finding, but please note these were not repeat teachers. Teachers will be reminded to turn in money daily and teacher's found to be out of compliance will be addressed individually.

2018-003

According to the Red Book, "Students third grade and above must sign the Multiple Receipt Form." Testing disclosed that some teachers were not having their students sign the Multiple Receipt Form. There was one form without any student names on the form. The Principal should remind teachers/sponsors who are receiving money to have the students sign the Multiple Receipt Form. **This is a repeat finding from past three years. (2017-004)**

Management's Response:

Teachers will be reminded of proper completion of the multiple receipt form and the teacher in violation will be addressed individually.

2018-004

Ten (10) out of eight-four (84) ticket sale forms were not signed by school treasurer. The Principal should remind the school treasurer to sign the form.

Management's Response:

The principal reminded the school treasurer to sign the ticket sales form.

BOYLE COUNTY HIGH SCHOOL (continued)

2018-005

According to the Red Book, all fundraisers should complete a Fundraiser Approval Form before the fundraiser begins. The Red Book also requires the activity sponsor to complete the Fundraiser Worksheet within one week of the completion of the fundraiser. The one of two fundraisers tested during the year did not complete Fundraiser Approval Forms or Fundraiser Worksheets. I recommend fundraisers be monitored and required to complete both forms. **This is a repeat finding from last year. (2017-007)**

Management's Response:

Teachers will be reminded of proper completion of the fundraiser form and the teacher in violation will be addressed individually.

2018--006

According to the Red Book, "The deposit slip shall note the receipt numbers in the deposit." Deposit slips did not have the receipt numbers on it. I recommend the bookkeeper start putting the receipt numbers on the deposit slips.

Management's Response:

The bookkeeper will start numbering receipts

2018-007

The Multiple Receipt forms are not being completed in their entirety. Some teachers are not putting their name at the top of the form. Some teachers are omitting the total amount remitted from the form. The Principal should remind teachers/sponsors to complete all forms before turning them in.

Management's Response:

Teachers will be reminded of proper completion of the multiple receipt form and the teacher in violation will be addressed individually.

BOYLE COUNTY MIDDLE SCHOOL

2018-008

Teachers are not turning money into the School Treasurer timely. Testing disclosed money was being held by teachers and not turned in daily as required by the Red Book. I recommend the Principal remind all staff to turn in money daily. **This is a repeat finding from the past three years. (2017-008)**

Management's Response:

Reminded teachers to turn in money daily in faculty meeting 8/13/18. Also have teachers review check dates as they collect money and note any old dates on checks.

2018-009

According to the Redbook, "the purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated." There were two (2) out of twelve (12) expenditures with purchase order dates after the invoice date. I recommend the principal remind all teachers/sponsors that all expenditures must be approved before the payment is obligated.

Management's Response:

Bookkeeper will check all invoices for proper dates before payment

2018-010

According to the Red Book, "before being processed, each disbursement shall be documented by a completed purchase order and an original vendor invoice." There were two (2) out of twelve (12) expenditures that were paid from statements. The original vendor invoice was not attached. I recommend the principal remind all teachers/sponsors that original invoices are to be turned in to the bookkeeper.

Management's Response:

Bookkeeper get invoices labeled correctly when making payments.

WOODLAWN ELEMENTARY – No comments

JUNCTION CITY ELEMENTARY

2018-011

According to the Redbook, "The deposit slip shall note the receipt numbers in the deposit." The deposit slips did not have receipt numbers on them. I recommend the bookkeeper put the receipt numbers on the deposit slips as required by the Redbook.

Management's Response:

From this point forward, we will put receipt numbers on the deposit tickets.

PERRYVILLE ELEMENTARY

2018-012

During the year, the school transferred money from the several accounts to the SWEEP account to send the money to the District Activity Fund. This is not allowed. Once money is put into a school activity account it is restricted and must be spent at the school level for the students benefit. **This is a repeat finding from last year. (2017-011)**

Management's Response:

Discussed this issue with the finance director and will oversee the deposit of funds into the district activity account prior to depositing them in the school level activity account.

2018-013

A check written to the DC trip sponsor for meals was paid from a purchase order. An expense report should have been completed for the advance. Money was returned after the trip. Students were given money for meals, but a student disbursement form was not completed. The principal should remind the DC sponsor to complete the Expense Report to request the advance for meals. The sponsor should also use the student disbursement form.

Management's Response:

Have met with the trip sponsor and bookkeeper to inform them to the future use of the expense report and the use of the disbursement form.

2018-014

Testing disclosed several receipts with dates after the deposit. This could only occur if receipts are not written at the time of receiving money. All receipts should be written immediately upon receipt of money.

Management's Response:

Met with bookkeeper to ensure that future receipts are written at the time of receiving money.

2018-015

The school purchased a gym sound system from the activity account. This is not allowed. Operating expenses cannot be paid from the school activity account.

Management's Response:

Future PTO purchases of operational items will be from the district activity account and not purchased at the building level.