

BRECKINRIDGE COUNTY SCHOOL DISTRICT

**REPORT ON AUDIT OF COMPREHENSIVE
ANNUAL FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES**

FOR THE YEAR ENDED JUNE 30, 2015

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
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INDEPENDENT AUDITOR'S REPORT

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 District'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 District'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 Breckinridge County School District as of June 30, 2015, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note A to the financial statements, in fiscal year 2015 the District adopted new accounting guidance, GASB Statements No. 68 and 71. 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 - Unaudited on pages 4 through 9; the budgetary comparison information on pages 46 through 48; and the pension schedules and notes on pages 49 through 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information shown on pages 52 through 55 and the Schedule of Expenditures of Federal Awards, required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information shown on pages 52 through 55 and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the accompanying supplementary information shown on pages 52 through 55 and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2015 on our consideration of Breckinridge County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Breckinridge County School District's internal control over financial reporting and compliance.

Drane & Company, PLLC

Drane & Company, PLLC
Certified Public Accountants

Hardinsburg, KY

October 19, 2015

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2015**

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

FINANCIAL HIGHLIGHTS

- On the District-wide financial statements, the assets of the District exceeded liabilities by \$22,791,684. The District's governmental funds reported a combined ending fund balance of \$7,824,288. Of this total, \$592,947 is unassigned. The District maintains an adequate fund balance to support education initiatives.
- As a result of House Bill 235 that was passed during the 2014 regular legislative session, which allows for additional flexibility of local Capital Funds for the 2014-2015 and 2015-2016 school years, the District utilized \$400,000 to offset certain operating expenses. The surplus capital outlay funds offset property and fleet insurance charges and utility expenses for the 2014-2015 school year.
- During 2015, the District adopted GASB Statements 68 and 71, which significantly revise accounting for pension costs and liabilities (additional information can be obtained from the notes to the financial statements located herein). As a result, net position at the beginning of the year was restated in the government-wide financial statements to reflect the June 30, 2014 net pension liability of \$6,108,000 and deferred outflows of \$721,025. There is no repayment schedule for the net pension liability. Changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the District.
- In total, the District's net position decreased by \$5,115,636, including a prior period adjustment of \$(5,386,975) for the effects of implementing GASB 68. Net position of governmental activities decreased by \$4,397,761, including a prior period adjustment of \$(4,623,640) and a current year increase of \$225,879. Net position of business-type activities decreased by \$717,875, including a prior period adjustment of \$(763,335) and a current year increase of \$45,460.
- The District began work on a new Irvington Elementary school with expected completion in December 2016. The estimated cost of the project is \$15.5 million, which will be financed with bonds and local tax dollars. During the fiscal year, the District received 14.65 acres of donated land valued at \$260,000 for the school and approved the purchase of an additional 5 acres for \$65,000. This will be the District's first new school in 20 years. Also, The Board of Education has entered into a tentative agreement to purchase the future site of a new Hardinsburg Elementary. The amount agreed upon was \$850,000 for approximately 44 acres. The Board hopes to finalize the transfer of the property by December 2015.

Using this Annual Financial Report

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of 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.

District-wide financial statements

The district-wide (government-wide) financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to private-sector business. The district-wide financial statements can be found on pages 10 and 11 of this report.

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

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

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

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been designated for specific activities or objectives. This is a state mandated uniform system 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. The basic fund financial statements can be found on pages 12 through 19 of this report.

The funds of the District can be divided into three categories: governmental, proprietary and fiduciary. The only proprietary fund is our food service operation. The main activities of the District are included in the governmental funds.

Notes to 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 20 through 45 of this report.

ANALYSIS AND DISCUSSION OF THE DISTRICT-WIDE FINANCIAL STATEMENTS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$22,791,684 for governmental activities and \$303,209 for business-type activities as of June 30, 2015.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land, buildings, vehicles, and equipment) less any related debt used to acquire those assets that is currently 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 because 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. The district-wide financial statements are grouped according to governmental activities and business-type activities.

Analysis of Governmental Activities

Total net position increased by \$225,879 as a result of current year activities. Instruction comprised 57.2% of all governmental expenses. Table 2 displays information from the statement of activities, which shows cost of program services and the operating grants and contributions offsetting those services. In addition, the table identifies the cost of services supported by tax revenue and other income. For fiscal year 2015, the burden of school district operations being supported by tax revenue and other revenue was \$6.99 million. Additional burden being passed to the local effort is a situation the District is monitoring closely and is concerned about.

Analysis of Business-Type Activities

The business-type activities of the District consist of the food service operations. Business activities receive no support from tax revenues. The total of all revenue was \$2,094,585. Total expenditures accounted for \$2,005,086. Indirect cost transfers accounted for \$44,039. While the net position of the business-type activities increased by \$45,460, a primary concern of the Food Service program is declining amounts in charges for services and participation levels. The District will continue to monitor the charges and costs of these activities.

The following tables show a comparison of the total net position and a summary of changes in net position for the periods ended June 30, 2015 and June 30, 2014:

Table 1-Changes in Net Position

	2015			2014 *		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current and Other Assets	\$10,104,098	\$984,418	\$11,088,516	\$10,006,665	\$916,329	\$10,922,994
Noncurrent Assets	<u>28,575,572</u>	<u>171,950</u>	<u>28,747,522</u>	<u>29,498,591</u>	<u>209,819</u>	<u>29,708,410</u>
Total Assets	<u>\$38,679,670</u>	<u>\$1,156,368</u>	<u>\$39,836,038</u>	<u>\$39,505,256</u>	<u>\$1,126,148</u>	<u>\$40,631,404</u>
*Deferred Outflows of Resources	<u>\$609,543</u>	<u>\$97,159</u>	<u>\$706,702</u>	<u>\$636,129</u>	<u>\$102,169</u>	<u>\$738,298</u>
Current Liabilities	\$3,135,611	\$99,976	\$3,235,587	\$3,424,066	\$105,064	\$3,529,130
*Noncurrent Liabilities	<u>12,844,363</u>	<u>764,897</u>	<u>13,609,260</u>	<u>14,151,514</u>	<u>865,504</u>	<u>15,017,018</u>
*Total Liabilities	<u>\$15,979,974</u>	<u>\$864,873</u>	<u>\$16,844,847</u>	<u>\$17,575,580</u>	<u>\$970,568</u>	<u>\$18,546,148</u>
Deferred Inflows of Resources	<u>\$517,555</u>	<u>\$85,445</u>	<u>\$603,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net investment in capital assets	\$19,748,807	\$171,950	\$19,920,757	\$19,843,792	\$209,819	\$20,053,611
Restricted	1,121,013	-	1,121,013	771,068	-	771,068
*Unrestricted	<u>1,921,864</u>	<u>131,259</u>	<u>2,053,123</u>	<u>1,950,945</u>	<u>47,930</u>	<u>1,998,875</u>
Net Position	<u>\$22,791,684</u>	<u>\$303,209</u>	<u>\$23,094,893</u>	<u>\$22,565,805</u>	<u>\$257,749</u>	<u>\$22,823,554</u>

* Figures for the 2014 governmental activities and business-type activities have been restated due to the adoption of GASB Statements 68 and 71 (see Note O).

Table 2-Statement of Activities

	2015			2014 *		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Program Revenues						
Charges for Services	\$230,036	\$474,879	\$704,915	\$252,315	\$489,683	\$741,998
Operating Grants & Contributions	18,941,766	1,616,660	20,558,426	18,129,490	1,572,708	19,702,198
Capital Grants & Contributions	927,038	-	927,038	619,646	-	619,646
General Revenues						
Property Taxes	5,201,971	-	5,201,971	4,626,732	-	4,626,732
Motor Vehicle Taxes	870,238	-	870,238	814,898	-	814,898
Utility Taxes	1,063,797	-	1,063,797	951,362	-	951,362
Interest Income	34,940	3,046	37,986	33,797	2,498	36,295
Other Income	94,388	-	94,388	271,990	-	271,990
Disposal of Fixed Assets	(90,566)	-	(90,566)	(12,511)	-	(12,511)
Total Revenue	\$27,273,608	\$2,094,585	\$29,368,193	\$25,687,719	\$2,064,889	\$27,752,608
Program Expenses						
Instruction	\$15,506,598	\$ -	\$15,506,598	\$14,938,230	\$ -	\$14,938,230
Student Support	779,547	-	779,547	861,253	-	861,253
Instructional Staff	1,015,345	-	1,015,345	949,749	-	949,749
District Administration	1,725,605	-	1,725,605	1,768,995	-	1,768,995
School Administration	1,708,429	-	1,708,429	1,720,244	-	1,720,244
Business Support	946,595	-	946,595	913,677	-	913,677
Plant Operations & Maintenance	2,744,184	-	2,744,184	2,640,627	-	2,640,627
Student Transportation	2,099,292	-	2,099,292	2,168,385	-	2,168,385
Other Support Services	625	-	625	772	-	772
Food Service	2,485	-	2,485	2,703	-	2,703
Community Services	356,650	-	356,650	356,865	-	356,865
Interest on L/T Debt	206,413	-	206,413	218,895	-	218,895
Food Service	-	2,005,086	2,005,086	-	1,984,603	1,984,603
Total Expenses	\$27,091,768	\$2,005,086	\$29,096,854	\$26,540,395	\$1,984,603	\$28,524,998
Transfers	\$44,039	(\$44,039)	\$ -	\$23,284	(\$23,284)	\$ -
Change in Net Position	\$225,879	\$45,460	\$271,339	(\$829,392)	\$57,002	(\$772,390)
Beginning Net Position	\$27,189,445	\$1,021,084	\$28,210,529	\$28,018,837	\$964,082	\$28,982,919
*Prior Period Adjustment	(\$4,623,640)	(\$763,335)	(\$5,386,975)	\$ -	\$ -	\$ -
*Ending Net Position	\$22,791,684	\$303,209	\$23,094,893	\$27,189,445	\$1,021,084	\$28,210,529

* Prior period adjustments for the governmental activities and business-type activities are due to the adoption of GASB Statements 68 and 71 (see Note O).

DISTRICT'S INDIVIDUAL FUNDS

Information about the District's major funds begins on page 12. These funds are accounted for using the modified accrual basis of accounting. Governmental funds had total revenues and other financing sources (uses) of \$27,280,725 and expenditures of \$26,883,552 resulting in a net increase in fund balance of \$397,173. This net increase can mostly be attributed to capital lease proceeds of \$132,510, along with a 16.3% reduction in student transportation expense and an increase in tax revenue related to the "nickel" tax approval and subsequent collection. Additional information can be obtained from the notes to the financial statements located herein.

ANALYSIS OF BUDGET AMOUNTS

The District's budget is prepared according to Kentucky law and is based on the accrual basis of accounting. The most significant fund is the General Fund. A variance comparison is presented between the final budgeted amounts and the actual amounts on page 46. The General Fund revenues show a budget of \$20,843,093 and an actual amount of \$21,309,579 or 2.24% over budget. Expenditures show a budget of \$22,237,683 and an actual amount of \$21,731,353 or 2.28% under budget. The variance in budgeted expenditures versus actual expenditures is mainly due to a mandatory budgeted contingency that is placed into the budget. The effect after removing the \$970,846 budgeted contingency from expenditures was 2.2% over budget. Mandated salary increases and unplanned maintenance costs at various locations contributed to the amount over budget. Overall, the District was satisfied with the budget to actual results.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2015, the District had \$28,575,572 in net capital assets of governmental activities and \$171,950 in net capital assets of business-type activities. The \$923,019 decrease in net capital assets of governmental activities is due in part to increased depreciation costs from added renovation projects and decreased activity in the addition of capital assets. The \$37,869 decrease in net capital assets of business-type activities is due to the Food Service operation deferring equipment purchases until fiscal year 2016 and retiring equipment at various locations. Table 3 below shows a summary of activity for fiscal year 2015.

Table 3-Changes in Capital Assets

<u>Governmental Activities</u>	<u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2015</u>
Not Depreciated:				
Land	\$451,448	\$260,000	\$ -	\$711,448
Construction in Progress	549,124	352,793	678,893	223,024
Subtotal	1,000,572	612,793	678,893	934,472
Depreciated:				
Land Improvements	3,405,164	-	-	3,405,164
Buildings	39,362,951	705,168	-	40,068,119
Technology Equipment	2,636,356	219,771	138,247	2,717,880
Vehicles	5,215,657	-	-	5,215,657
General Equipment	2,524,403	67,555	222,450	2,369,508
Subtotal	53,144,531	992,494	360,697	53,776,328
Less accumulated depreciation for:				
Land Improvements	3,019,871	84,992	-	3,104,863
Buildings	13,930,681	963,199	-	14,893,880
Technology Equipment	1,919,773	301,428	136,534	2,084,667
Vehicles	3,825,518	294,810	-	4,120,328
General Equipment	1,950,669	90,385	109,564	1,931,490
Subtotal	24,646,512	1,734,814	246,098	26,135,228
Capital Assets-Net	\$29,498,591	\$(129,527)	\$793,492	\$28,575,572

Table 3-Changes in Capital Assets (Concluded)

	<u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2015</u>
<u>Business-Type Activities</u>				
Depreciated:				
General Equipment	\$992,431	\$ -	\$5,500	\$986,931
Technology Equipment	37,450	-	954	36,496
<u>Subtotal</u>	<u>1,029,881</u>	<u>-</u>	<u>6,454</u>	<u>1,023,427</u>
Less accumulated depreciation for:				
General Equipment	791,223	35,529	5,500	821,252
Technology Equipment	28,839	2,340	954	30,225
<u>Subtotal</u>	<u>820,062</u>	<u>37,869</u>	<u>6,454</u>	<u>851,477</u>
<u>Capital Assets-Net</u>	<u>\$209,819</u>	<u>\$(37,869)</u>	<u>\$ -</u>	<u>\$171,950</u>

Debt Administration

At June 30, 2015, the Breckinridge County School District had \$8,797,000 in bonds outstanding; of this amount \$5,476,892 is to be paid by the School District, with the remaining \$3,320,108 to be paid by the School Facilities Commission. \$780,000 is due within one year from the District (\$656,855) and School Facilities Commission (\$123,145) combined. The District also had \$117,217 due on capital leases for commercial copiers, with \$31,635 due within one year. Additional information can be obtained from the notes to the financial statements located herein.

DISTRICT CHALLENGES FOR THE FUTURE

The District's financial position continues to remain stable year after year. This continues in the wake of decreases in federal and state grant funding, which pushes expenses for necessary services back to the General Fund. The District faces significant challenges regarding facilities with two transitional schools in dire need of replacement. The District passed additional taxes related to capital projects. However, while this increase was enough to fund a new Irvington Elementary, a new Hardinsburg Elementary is still needed, which at an estimated cost of \$18 million, the District currently projects to be \$2.8 million short on total required funding. The District hopes to receive additional aide for facilities during the next biennium state budget cycle. Due to these challenges, the District continues to use great caution and care in planning and monitoring its finances.

BUDGETARY IMPLICATIONS

In Kentucky, the public school fiscal year is July 1 through June 30; other programs operate on a different fiscal calendar, but are reflected in the district's overall budget. By law, the budget must have a minimum 2% contingency.

Questions regarding this report should be directed to the following:

Janet Meeks, Superintendent
86 Airport Road
Hardinsburg, KY 40143
(270) 756-3000

Michael Moreland, Chief Financial Officer
86 Airport Road
Hardinsburg, KY 40143
(270) 756-3000

BRECKINRIDGE COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets</u>			
Current Assets			
Cash and cash equivalents	\$ 8,911,009	\$ 909,604	\$ 9,820,613
Accounts receivable:			
Taxes	204,910	-	204,910
Other	71,640	-	71,640
Intergovernmental	650,976	23,193	674,169
Inventory	-	47,145	47,145
Prepaid expenses	265,563	4,476	270,039
Total Current Assets	<u>10,104,098</u>	<u>984,418</u>	<u>11,088,516</u>
Noncurrent Assets			
Capital assets:			
Land and construction in process	934,472	-	934,472
Other capital assets, net of depreciation	27,641,100	171,950	27,813,050
Total Noncurrent Assets	<u>28,575,572</u>	<u>171,950</u>	<u>28,747,522</u>
Total Assets	<u>38,679,670</u>	<u>1,156,368</u>	<u>39,836,038</u>
<u>Deferred Outflows of Resources</u>			
Deferred amount on debt refundings	13,568	-	13,568
Deferred amounts related to pensions	595,975	97,159	693,134
Total Deferred Outflows of Resources	<u>609,543</u>	<u>97,159</u>	<u>706,702</u>
<u>Liabilities</u>			
Current Liabilities			
Accounts payable	117,434	3,728	121,162
Accrued payroll and related expenses	2,077,256	96,248	2,173,504
Unearned revenue	85,120	-	85,120
Current portion of bond obligations	774,750	-	774,750
Current portion of capital leases	31,635	-	31,635
Interest payable	49,416	-	49,416
Total Current Liabilities	<u>3,135,611</u>	<u>99,976</u>	<u>3,235,587</u>
Noncurrent Liabilities			
Noncurrent portion of bond obligations	7,948,367	-	7,948,367
Noncurrent portion of capital leases	85,582	-	85,582
Noncurrent portion of accrued sick leave	177,311	-	177,311
Net pension liability	4,633,103	764,897	5,398,000
Total Noncurrent Liabilities	<u>12,844,363</u>	<u>764,897</u>	<u>13,609,260</u>
Total Liabilities	<u>15,979,974</u>	<u>864,873</u>	<u>16,844,847</u>
<u>Deferred Inflows of Resources</u>			
Deferred amounts related to pensions	517,555	85,445	603,000
<u>Net Position</u>			
Net investment in capital assets	19,748,806	171,950	19,920,756
Restricted for capital and debt service	1,121,013	-	1,121,013
Unrestricted	1,921,865	131,259	2,053,124
Total Net Position	<u>\$ 22,791,684</u>	<u>\$ 303,209</u>	<u>\$ 23,094,893</u>

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

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
<u>Governmental Activities</u>							
Instruction	\$ 15,506,598	\$ 86,326	\$ 17,350,631	\$ -	\$ 1,930,359	\$ -	\$ 1,930,359
Support services:							
Student	779,547	6,532	155,135	-	(617,880)	-	(617,880)
Instructional staff	1,015,345	-	123,476	-	(891,869)	-	(891,869)
District administration	1,725,605	-	199,537	-	(1,526,068)	-	(1,526,068)
School administration	1,708,429	-	342,539	-	(1,365,890)	-	(1,365,890)
Business	946,595	-	183,370	-	(763,225)	-	(763,225)
Plant operations and maintenance	2,744,184	2,000	274,558	927,038	(1,540,588)	-	(1,540,588)
Student transportation	2,099,292	135,178	312,520	-	(1,651,594)	-	(1,651,594)
Other support services	625	-	-	-	(625)	-	(625)
Food service	2,485	-	-	-	(2,485)	-	(2,485)
Community services	356,650	-	-	-	(356,650)	-	(356,650)
Interest on long-term debt	206,413	-	-	-	(206,413)	-	(206,413)
Total Governmental Activities	27,091,768	230,036	18,941,766	927,038	(6,992,928)	-	(6,992,928)
<u>Business-Type Activities</u>							
Food service	2,005,086	474,879	1,616,660	-	-	86,453	86,453
Total Business-Type Activities	2,005,086	474,879	1,616,660	-	-	86,453	86,453
Total Primary Government	\$29,096,854	\$ 704,915	\$ 20,558,426	\$ 927,038	\$ (6,992,928)	\$ 86,453	\$ (6,906,475)
			<u>General Revenues</u>				
			Taxes:				
			Property		\$ 5,201,971	\$ -	\$ 5,201,971
			Motor vehicle		870,238	-	870,238
			Utility		1,063,797	-	1,063,797
			Interest income		34,940	3,046	37,986
			Other income		94,388	-	94,388
			Disposal of fixed assets		(90,566)	-	(90,566)
			Total General Revenues		7,174,768	3,046	7,177,814
			Transfers		44,039	(44,039)	-
			Changes in Net Position		225,879	45,460	271,339
			Net Position - Beginning of Year (Restated - See Note O)		22,565,805	257,749	22,823,554
			Net Position - End of Year		\$ 22,791,684	\$ 303,209	\$ 23,094,893

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

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	General Fund	Special Revenue (Grant) Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 7,789,996	\$ -	\$ 1,121,013	\$ 8,911,009
Accounts receivable:				
Taxes	204,910	-	-	204,910
Other	71,640	-	-	71,640
Intergovernmental	-	650,976	-	650,976
Due from other funds	309,063	-	-	309,063
Prepaid expenses	265,563	-	-	265,563
Total Assets	\$ 8,641,172	\$ 650,976	\$ 1,121,013	\$ 10,413,161
Liabilities				
Accounts payable	\$ 116,273	\$ 707	\$ 454	\$ 117,434
Due to other funds	-	258,284	50,779	309,063
Accrued payroll and related expenses	1,721,623	355,633	-	2,077,256
Unearned revenue	-	85,120	-	85,120
Total Liabilities	1,837,896	699,744	51,233	2,588,873
Fund Balances				
Nonspendable	265,563	-	-	265,563
Restricted	-	-	1,121,013	1,121,013
Committed	3,795,255	-	-	3,795,255
Assigned	2,049,510	-	-	2,049,510
Unassigned	692,948	(48,768)	(51,233)	592,947
Total Fund Balances	6,803,276	(48,768)	1,069,780	7,824,288
Total Liabilities and Fund Balances	\$ 8,641,172	\$ 650,976	\$ 1,121,013	\$ 10,413,161

Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities

Total Governmental Fund Balances	\$ 7,824,288
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	28,575,572
Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore are not reported in the governmental funds.	78,420
Certain liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Bond obligations (net of discounts and deferred amounts on refundings)	(8,709,549)
Capital leases	(117,217)
Accrued sick leave	(177,311)
Interest payable	(49,416)
Net pension liability	(4,633,103)
Total Net Position of Governmental Activities	\$ 22,791,684

The accompanying notes are an integral part of this financial statement.
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BRECKINRIDGE COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Special Revenue (Grant) Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
From local sources:				
Property taxes	\$ 4,115,871	\$ -	\$ 1,086,100	\$ 5,201,971
Motor vehicle taxes	870,238	-	-	870,238
Utility taxes	1,063,797	-	-	1,063,797
Tuition and textbook fees	24,175	68,683	-	92,858
Transportation reimbursement	135,178	-	-	135,178
Interest income	26,855	-	8,085	34,940
Donations/grants	5,700	36,039	-	41,739
Other income	94,390	2,000	-	96,390
Intergovernmental - state	14,935,360	905,706	917,761	16,758,827
Intergovernmental - indirect federal	-	1,770,625	-	1,770,625
Intergovernmental - direct federal	38,015	999,598	-	1,037,613
Total Revenues	21,309,579	3,782,651	2,011,946	27,104,176
Expenditures				
Current:				
Instruction	12,363,046	2,628,152	-	14,991,198
Support services:				
Student	642,445	137,220	-	779,665
Instructional staff	511,220	507,086	-	1,018,306
District administration	1,057,716	-	-	1,057,716
School administration	1,715,889	-	-	1,715,889
Business	1,036,665	48,930	-	1,085,595
Plant operations and maintenance	2,394,488	170,978	-	2,565,466
Student transportation	1,970,917	7,376	-	1,978,293
Other support services	-	615	-	615
Food service	2,550	-	-	2,550
Community services	-	357,434	-	357,434
Facilities acquisition and construction	-	-	339,544	339,544
Debt service:				
Payment of principal	32,909	-	765,000	797,909
Payment of interest and fiscal charges	3,508	-	189,864	193,372
Total Expenditures	21,731,353	3,857,791	1,294,408	26,883,552
Excess (Deficiency) of Revenues over Expenditures	(421,774)	(75,140)	717,538	220,624
Other Financing Sources (Uses)				
Operating transfers in	462,865	58,786	794,685	1,316,336
Operating transfers out	(58,786)	-	(1,213,511)	(1,272,297)
Capital lease proceeds	132,510	-	-	132,510
Total Other Financing Sources (Uses)	536,589	58,786	(418,826)	176,549
Net Changes in Fund Balances	114,815	(16,354)	298,712	397,173
Fund Balances - Beginning of Year	6,688,461	(32,414)	771,068	7,427,115
Fund Balances - End of Year	\$ 6,803,276	\$ (48,768)	\$ 1,069,780	\$ 7,824,288

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

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS WITH THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Net Changes in Fund Balances - Total Governmental Funds	\$ 397,173
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation (\$1,734,814) exceeded capital outlay (\$666,394) in the current period.	(1,068,420)
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each disposal. This is the book value of the disposed assets.	(90,566)
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	797,909
The measurement focus of governmental funds is on current financial resources; therefore, no revenue or capital outlay is reported for the contribution of capital assets. This is the amount of capital contributions reported in the Statement of Activities.	260,000
Interest is recorded as an expenditure when due in the governmental funds and as it accrues in the Statement of Activities.	(13,041)
In the Statement of Activities, sick leave is measured by the amount earned during the year. In governmental funds, however, expenditures for this item are measured by the amount actually paid.	6,378
Governmental funds report pension contributions as expenditures when made. In the Statement of Net Position, pension contributions are reported as deferred outflows of resources because the reported net pension liability is measured one year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.	
District pension contributions	595,975
Pension expense	<u>(527,019)</u>
	68,956
Capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position.	<u>(132,510)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 225,879</u></u>

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

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2015**

	Enterprise Fund
<u>Assets</u>	
Current Assets	
Cash and cash equivalents	\$ 909,604
Intergovernmental receivable	23,193
Inventory	47,145
Prepaid expenses	4,476
Total Current Assets	984,418
Noncurrent Assets	
Capital assets	1,023,427
Less: accumulated depreciation	(851,477)
Total Noncurrent Assets	171,950
Total Assets	1,156,368
<u>Deferred Outflows of Resources</u>	
Deferred amounts related to pensions	97,159
<u>Liabilities</u>	
Current Liabilities	
Accounts payable	3,728
Accrued payroll and related expenses	96,248
Total Current Liabilities	99,976
Noncurrent Liabilities	
Net pension liability	764,897
<u>Deferred Inflows of Resources</u>	
Deferred amounts related to pensions	85,445
<u>Net Position</u>	
Investment in capital assets	171,950
Unrestricted	131,259
Total Net Position	\$ 303,209

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	Enterprise Fund
<u>Operating Revenues</u>	
Lunchroom sales	\$ 474,879
Total Operating Revenues	474,879
<u>Operating Expenses</u>	
Salaries and wages	927,360
Contract services	48,985
Materials and supplies	990,872
Depreciation	37,869
Total Operating Expenses	2,005,086
Operating Loss	(1,530,207)
<u>Non-operating Revenues</u>	
Federal grants	1,239,349
State grants	243,977
Donated commodities	133,334
Interest income	3,046
Total Non-operating Revenues	1,619,706
Income Before Transfers	89,499
Transfers Out	(44,039)
Change in Net Position	45,460
Total Net Position - Beginning of Year (Restated)	257,749
Total Net Position - End of Year	\$ 303,209

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

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Enterprise Fund</u>
<u>Cash Flows from Operating Activities</u>	
Cash received from user charges	\$ 474,879
Cash payments to employees for services	(713,025)
Cash payments for contract services	(51,052)
Cash payments to suppliers for goods and services	(865,091)
Net Cash Used by Operating Activities	<u>(1,154,289)</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Transfers to other funds	<u>(44,039)</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Federal grants	1,237,472
State grants	16,672
Net Cash Provided by Capital and Related Financing Activities	<u>1,254,144</u>
<u>Cash Flows from Investing Activities</u>	
Interest income	<u>3,046</u>
Net Increase in Cash and Cash Equivalents	58,862
Cash and Cash Equivalents - Beginning of Year	<u>850,742</u>
Cash and Cash Equivalents - End of Year	<u>\$ 909,604</u>
<u>Reconciliation of Operating Loss to Net Cash Used by Operating Activities</u>	
Operating loss	\$ (1,530,207)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	37,869
Commodities used	133,334
On-behalf payments	227,305
Net changes in assets and liabilities:	
Inventory	(5,282)
Prepaid expenses	(2,067)
Deferred outflows related to pensions	5,010
Accounts payable	(2,271)
Accrued payroll and related expenses	(2,818)
Net pension liability	(100,607)
Deferred inflows related to pensions	85,445
Net Cash Used by Operating Activities	<u>\$ (1,154,289)</u>
<u>Schedule of Non-cash Transactions</u>	
Donated commodities received from federal government	<u>\$ 133,334</u>
On-behalf payments relating to fringe benefits provided by state government	<u>\$ 227,305</u>

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

BRECKINRIDGE COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

	Private-Purpose Trust Fund	Agency Funds
<u>Assets</u>		
Cash and cash equivalents	\$ 300,000	\$ 296,646
Accounts receivable	-	5,478
Total Assets	300,000	\$ 302,124
<u>Liabilities</u>		
Accounts payable	-	\$ 17,229
Due to students and teachers	-	284,895
Total Liabilities	-	\$ 302,124
<u>Net Position</u>		
Restricted for scholarships	\$ 300,000	

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

BRECKINRIDGE COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Private-Purpose Trust Fund
<u>Additions</u>	
Contributions	\$ 300,000
<u>Deductions</u>	
Scholarships awarded	-
Change in Net Position	300,000
Total Net Position - Beginning of Year	-
Total Net Position - End of Year	\$ 300,000

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

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

For financial reporting purposes, the accompanying financial statements include all of the operations over which the District is financially accountable. The District is financially accountable for organizations that make up its legal entity, as well as legally separate organizations that meet certain criteria. In accordance with GASB 14, "The Financial Reporting Entity," as amended by GASB 39, "Determining Whether Certain Organizations Are Component Units," the criteria for inclusion in the reporting entity involve those cases where the District or its officials appoint a voting majority of an organization's governing body, and is either able to impose its will on the organization and there is a potential for the organization to provide specific financial benefits to or to impose specific financial burdens on the District or the nature and significance of the relationship between the District and the organization is such that exclusion would cause the District's financial statements to be incomplete. Based on this criteria, the financial statements of the following organization are included in the accompanying basic financial statements as a blended component unit:

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

Basis of Presentation

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

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the Proprietary Fund and Fiduciary 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 government-wide statements and the statements for governmental funds.

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

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than fund types. 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 fund balances. Proprietary funds are reported using the economic resources measurement focus. All assets and liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in net position presents increases and decreases in total net position. 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 Funds

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

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Concluded)

- (B) The Special Revenue (Grant) Fund accounts for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. This is a major fund.

- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds (unless authorized for retention in the General Fund) and is generally restricted for use in financing projects identified in the district's facility plan. This is not a major fund.
 - 2. The Facility Support Program of Kentucky (FSPK) Building Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan. This is not a major fund.
 - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is not a major fund.

- (D) The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related costs. This is not a major fund.

II. Proprietary Fund (Enterprise Fund)

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U. S. Department of Agriculture (USDA).

III. Fiduciary Funds (Private Purpose Trust and Agency Funds)

The Private Purpose Trust Fund accounts for scholarship funds that provide for the college education of senior students, chosen under procedures determined by the District. Agency Funds account for activities of student groups and other types of activities requiring clearing accounts. These activities are accounted for in accordance with the *Uniform Program of Accounting for School Activity Funds* (Redbook). Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

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

Revenues - Exchange and Nonexchange 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. Revenue from property taxes is recognized in the fiscal year for which the taxes are collected. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Operating revenues are those revenues that are generated directly from the primary activity of the Proprietary Funds. Those revenues are primarily charges for meals and related items provided by the various schools. Nonoperating revenues of the Proprietary Funds include grants, donations, and interest income.

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

Unearned Revenue - Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund 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.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes

Property taxes are levied by the county on behalf of the school district each October on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings, which are mailed by November 1, 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. A 2% discount is offered through November 30 and a penalty is assessed after December 31. Property taxes received after December 31 are considered to be delinquent and a lien can be filed against the property. Since the taxes are not levied and collected by the school district, the revenues to be generated by the annual levies are not recognized until the taxes are actually collected by the tax levying authority.

The property tax rates assessed for the year ended June 30, 2015 were \$.553 per \$100 valuation for real property, \$.553 per \$100 valuation for tangible property, and \$.557 per \$100 valuation for motor vehicles.

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

Receivables

The District recognizes revenues as receivable when they are measurable and receipt is probable. Concentration of credit risk with respect to the receivables from federal, state, and local governments is limited due to the historical stability of those institutions; therefore, no allowance for doubtful accounts is recorded.

Cash and Cash Equivalents

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

Capital Assets

General capital assets are those assets not specifically related to activities reported in the Proprietary Fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements. Capital assets utilized by the Proprietary Fund are reported both in the business-type activities column of the government-wide Statement of Net Position and in the fund financial statements.

All capital assets are carried at historical cost. Where cost cannot be determined from the available records, estimated historical cost has been used to record the estimated value of the assets. Donated fixed assets are recorded at their fair market values as of the date received. Improvements are capitalized, but the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Concluded)

The District maintains a capitalization threshold of \$10,000 for land or building improvements and portable buildings and \$5,000 (per unit cost) for all other assets. All buildings and land are capitalized. The District does not possess any infrastructure. Insurance recovery of \$3,349 for asset impairment was reported in the General Fund. All reported capital assets except land and construction in progress are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Life</u>
Technology equipment	5 years
Vehicles	5-10 years
Food service equipment	5-12 years
General equipment	5-20 years
Land improvements	10-20 years
Buildings	25-50 years

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as interfund receivables and payables. These generally arise from payments made from the General Fund on behalf of the Special Revenue Fund. The General Fund does not have the legal liability for the expenditure, so a payable from the fund having the legal liability is established at such time. Unless there are net residual amounts due between governmental and business-type activities, these amounts are eliminated in the Statement of Net Position.

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of goods or services. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year. Outstanding encumbrances at year-end are included in assigned fund balance at June 30, 2015.

Accumulated Unpaid Sick Leave Benefits

The District's policies regarding sick leave permit employees to accumulate earned but unused sick leave. See Note C for additional information.

Budgetary Process

The Superintendent must submit the proposed budget for all funds other than agency funds to the Board members each year. The working budget is adopted by September 30 of each fiscal year, and amendments to the budget can be approved by the Board as needed. The budgetary data for the General Fund and Special Revenue Fund is presented on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Transfers

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 and expenses in proprietary funds.

Inventory

The only inventory maintained by the District consists of expendable supplies held for consumption and is accounted for in the Proprietary Fund. Inventory consists of donated and purchased foods held for resale and are expensed when used. Purchased food is valued at cost (first-in, first-out method) and the value of U.S. Government donated commodities is determined by the U.S. Department of Agriculture.

Prepaid Expenses

Payments made that will benefit periods beyond June 30, 2015 are recorded as prepaid expenses using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase, and an expenditure/expense is reported in the year in which services are consumed.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports the deferred charge on refunding and deferred amounts related to pensions in the government-wide Statement of Net Position in this category. A deferred charge on refunded debt results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred amounts related to pensions include pension contributions made during the current fiscal year but applicable to a future measurement period of the net pension liability.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until then. The District reports the deferred amount related to pensions in the government-wide Statement of Net Position in this category.

Estimates

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

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

The District classifies its net position into the following three categories:

- 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. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position.
- Restricted - Restricted net position consists of restricted financial assets reduced by liabilities and deferred inflows of resources related to those assets. Limitations can be imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- Unrestricted - If an amount does not meet the definition of net investment in capital assets or restricted, it is unrestricted.

Fund Equity

The fund balance for governmental funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

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

The District establishes (and modifies or rescinds) fund balance commitments by passage of a board order, which is done through motions made by the board of education members. Assigned fund balance is established by the Superintendent through adoption or amendment of the budget as intended for a specific purpose. Unassigned fund balances are reduced first, unless expenditures are incurred for a specific purpose for which fund balance has been restricted, committed, or assigned.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

Payables, Accrued Liabilities, and Long-Term Obligations

Payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements and in the Proprietary Fund financial statements.

In general, payables, accrued liabilities, and long-term obligations that will be paid from governmental funds are reported on the government-wide financial statements regardless of whether they will be liquidated with current resources. However, these amounts are not recognized as liabilities in the fund financial statements until due.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System Non-Hazardous (CERS) and Teachers Retirement System of the State of Kentucky (KTRS) and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the pensions. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

New Accounting Pronouncements

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27*, improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement was implemented during the current fiscal year. See Note O.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*, was released to address an issue regarding application of the transition provisions of GASB Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement amends paragraph 137 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 this Statement are required to be applied simultaneously with the provisions of Statement 68 and were implemented during the current fiscal year. See Note O.

Other GASB statements effective for the fiscal year had no impact on the District's financial statements.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE B - CAPITAL ASSETS

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

<u>Governmental Activities</u>	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Not Depreciated:				
Land	\$ 451,448	\$ 260,000	\$ -	\$ 711,448
Construction in progress	549,124	352,793	678,893	223,024
Subtotal	<u>1,000,572</u>	<u>612,793</u>	<u>678,893</u>	<u>934,472</u>
Depreciated:				
Land improvements	3,405,164	-	-	3,405,164
Buildings	39,362,951	705,168	-	40,068,119
Technology equipment	2,636,356	219,771	138,247	2,717,880
Vehicles	5,215,657	-	-	5,215,657
General equipment	2,524,403	67,555	222,450	2,369,508
Subtotal	<u>53,144,531</u>	<u>992,494</u>	<u>360,697</u>	<u>53,776,328</u>
Less accumulated depreciation:				
Land improvements	3,019,871	84,992	-	3,104,863
Buildings	13,930,681	963,199	-	14,893,880
Technology equipment	1,919,773	301,428	136,534	2,084,667
Vehicles	3,825,518	294,810	-	4,120,328
General equipment	1,950,669	90,385	109,564	1,931,490
Subtotal	<u>24,646,512</u>	<u>1,734,814</u>	<u>246,098</u>	<u>26,135,228</u>
Capital Assets - Net	<u>\$29,498,591</u>	<u>\$ (129,527)</u>	<u>\$ 793,492</u>	<u>\$28,575,572</u>
<u>Business-Type Activities</u>				
Depreciated:				
General equipment	\$ 992,431	\$ -	\$ 5,500	\$ 986,931
Technology equipment	37,450	-	954	36,496
Subtotal	<u>1,029,881</u>	<u>-</u>	<u>6,454</u>	<u>1,023,427</u>
Less accumulated depreciation:				
General equipment	791,223	35,529	5,500	821,252
Technology equipment	28,839	2,340	954	30,225
Subtotal	<u>820,062</u>	<u>37,869</u>	<u>6,454</u>	<u>851,477</u>
Capital Assets - Net	<u>\$ 209,819</u>	<u>\$ (37,869)</u>	<u>\$ -</u>	<u>\$ 171,950</u>

Depreciation expense was charged to functions in the Statement of Activities as follows:

<u>Governmental Activities</u>	
Instruction	\$ 572,173
Support services:	
Student	1,117
District administration	670,547
Plant operations and maintenance	351,456
Student transportation	139,521
	<u>\$1,734,814</u>
<u>Business-Type Activities</u>	
Food service	<u>\$ 37,869</u>

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE C - ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon retirement from the school system, a qualified 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.

NOTE D - CASH AND CASH EQUIVALENTS

The carrying amount of cash and cash equivalents approximates fair value because of the short maturity of those instruments and consisted of the following at June 30, 2015:

	Bank Balance	Book Balance
Governmental and proprietary funds	\$ 9,720,692	\$ 9,820,613
Fiduciary fund – agency funds	308,188	296,646
Fiduciary fund – private purpose trust fund	300,000	300,000
	\$10,328,880	\$10,417,259

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. At year-end, the deposits of the District were either insured or collateralized with securities held by the pledging financial institution.

Kentucky Revised Statutes and Board policy authorize the District to invest in direct obligations of the U.S. government; obligations backed by the full faith and credit of the U.S. government; certificates of deposit or other interest bearing accounts issued by any bank or savings and loan institution provided that such investment is insured by the FDIC or guaranteed by the pledge of direct U.S. government obligations; bonds issued by the Commonwealth of Kentucky or one of its agencies and instrumentalities; securities issued by any state or local government of the U.S. or bankers' acceptances for banks rated in one of the three highest categories by a nationally recognized rating agency; certain mutual funds; commercial paper rated in the highest category by a nationally recognized rating agency. The District has formally adopted deposit and investment policies that limit its allowable deposits or investments and address the specific types of risk to which the government is exposed, but it currently has no investments.

NOTE E - LONG-TERM LIABILITIES

The District is obligated to make payments in amounts sufficient to satisfy debt service requirements on revenue bonds or refunding bonds of revenue bonds issued by the Breckinridge County School District Finance Corporation to construct or renovate school facilities. The bonds payable are collateralized by the educational facilities constructed/renovated with bond proceeds. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding. Bonds are repaid principally from state and local revenues in the Building Fund. General Fund and Capital Outlay Fund revenues are available to pay for debt service if needed.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE E - LONG-TERM LIABILITIES (CONTINUED)

In July 1985, the District entered into "participation agreements" with the Kentucky School Facility Construction Commission (SFCC). The SFCC was created by the Kentucky Legislature 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 SFCC 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 government-wide financial statements.

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

Bond Series	Issue Date	Interest Rates	Bond Maturity	Original Issue	Outstanding Balance
2004	2/1/04	2.5% to 4.4%	2/1/24	\$ 735,000	\$ 175,000
2008	4/1/08	2.75% to 3.85%	4/1/28	\$3,005,000	\$2,570,000
2009A	5/1/09	2% to 3%	5/1/19	\$1,250,000	\$ 590,000
2009B	9/23/09	2% to 3.6%	12/1/20	\$1,175,000	\$ 925,000
2012	6/1/12	4.85%	6/1/32	\$2,647,000	\$2,647,000
2013	1/29/13	1%	6/30/19	\$2,930,000	\$1,890,000

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 minimum obligations of the District, including amounts to be paid by the SFCC, at June 30, 2015 for debt service (principal and interest) are as follows:

Year Ending June 30	District		SFCC		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 656,855	\$ 137,672	\$ 123,145	\$ 46,681	\$ 780,000	\$ 184,353
2017	673,342	127,567	126,658	42,568	800,000	170,135
2018	674,714	116,914	135,286	38,339	810,000	155,253
2019	690,967	105,908	139,033	33,793	830,000	139,701
2020	283,169	91,795	81,831	28,994	365,000	120,789
2021-25	1,054,950	350,292	430,050	96,013	1,485,000	446,305
2026-30	839,870	125,944	240,130	18,722	1,080,000	144,666
2031-32	603,025	45,263	2,043,975	-	2,647,000	45,263
	<u>\$5,476,892</u>	<u>\$1,101,355</u>	<u>\$3,320,108</u>	<u>\$305,110</u>	<u>\$8,797,000</u>	<u>\$1,406,465</u>

During the year ended June 30, 2013, the District defeased the 2004 series bond by placing \$410,645 in an irrevocable trust with an escrow agent to provide for future debt service payments to February 1, 2014. Accordingly, the trust account assets and liability for the defeased bonds are not included in the District's financial statements. The Kentucky School Facility Construction Commission's share of the 2004 series bond remained outstanding at \$175,000.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE E - LONG-TERM LIABILITIES (CONCLUDED)

Qualified Zone Academy Bonds

On June 1, 2012, the District issued \$2,647,000 in Qualified Zone Academy Bonds (QZAB) to fund renovations to Custer Elementary School. The District and the SFCC are required to make annual sinking fund payments to be held in escrow until the bonds mature. The amount accumulated in the sinking fund at the maturity date of June 1, 2032 is expected to be sufficient to retire the debt. The amount on deposit at June 30, 2015 was \$263,349. The following schedule reports the annual deposits to be made to the sinking fund by the District and the SFCC.

Year Ending June 30	District Principal	SFCC Principal	Total
2016	\$ 2,702	\$ 80,298	\$ 83,000
2017	2,702	80,298	83,000
2018	2,702	80,298	83,000
2019	2,702	80,298	83,000
2020	17,702	80,298	98,000
2021-25	313,510	401,490	715,000
2026-30	102,010	401,490	503,500
2031-32	48,332	160,596	208,928
	<u>\$492,362</u>	<u>\$1,365,066</u>	<u>\$1,857,428</u>

Changes in long-term debt principal (including current portion) were as follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015	Due In One Year
Bond obligations	\$9,562,000	\$ -	\$765,000	\$8,797,000	\$780,000
Discount	(79,133)	5,250	-	(73,883)	(5,250)
Total bonds	9,482,867	5,250	765,000	8,723,117	774,750
Capital leases	41,649	132,510	56,942	117,217	31,635
Accrued sick leave	183,690	26,100	32,479	177,311	-
	<u>\$9,708,206</u>	<u>\$163,860</u>	<u>\$854,421</u>	<u>\$9,017,645</u>	<u>\$806,385</u>

The Debt Service Fund is primarily responsible for paying bond obligations through funding from the Capital Outlay and Building Funds. The General Fund is primarily responsible for paying capital leases and accrued sick leave.

NOTE F - COMMITMENTS UNDER LEASES

During the fiscal year, the District made payments totaling \$1,950 for operating leases on office equipment. Commitments under these operating lease agreements provide the minimum future rental payments as of June 30, 2015 as follows:

Year Ending June 30,	Future Payments
2016	\$1,950
2017	1,950
2018	163
Total	<u>\$4,063</u>

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE F - COMMITMENTS UNDER LEASES (CONCLUDED)

During the year current fiscal year, the District initiated a new lease for copiers. The schedule of future minimum lease payments on all capital leases as of June 30, 2015 is as follows:

Year Ending June 30,	Governmental Activities
2016	\$ 36,255
2017	36,255
2018	36,255
2019	18,127
Future Minimum Payments	126,892
Less Interest	(9,675)
Present Value of Future Minimum Payments	\$117,217

Amortization expense of \$15,976 is included in depreciation expense for assets that had been retired by year-end. The remaining gross amount of assets recorded under capital leases and the accumulated amortization at year-end by major class according to nature or function is as follows:

Class	Gross Amount	Accumulated Amortization
Office Equipment	\$132,511	\$ -

NOTE G - DEFICIT FUND BALANCES

The Special Revenue Fund, SEEK Capital Outlay Fund, Construction Fund, and governmental activities had operations that resulted in current year reductions of fund balances/net position. The Special Revenue and Construction Funds also ended the year with deficit fund balances.

NOTE H - RETIREMENT PLANS

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

The District also makes available 401(k) and 403(b) defined contribution pension plans for all employees. Employees are allowed to contribute to the plans up to the Internal Revenue Code maximum allowable amount. The District does not contribute to these plans.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE H - RETIREMENT PLANS (CONTINUED)

Teachers' Retirement System of Kentucky

General Information about the Teachers' Retirement System of Kentucky

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

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

- 1.) Attain age fifty-five and complete five years of Kentucky service, or
- 2.) Complete twenty-seven years of Kentucky service.

Employees that retire before age sixty with less than twenty-seven years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to 2% (service prior to July 1, 1983) and 2.5% (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service is less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, employees who retire July 1, 2004 and later with more than thirty years of service will have their multiplier increased for all years over thirty from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

Final average salary is defined as the member's five highest annual salaries for those with less than twenty-seven years of service. Employees at least age fifty-five with twenty-seven or more years of service may use their three highest annual salaries to compute the final average salary. KTRS also provides disability benefits for vested employees at the rate of 60% of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing employees and \$5,000 for retired or disabled employees.

Cost of living increases are 1.5% annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE H - RETIREMENT PLANS (CONTINUED)

Teachers' Retirement System of Kentucky (Continued)

General Information about the Teachers' Retirement System of Kentucky (Concluded)

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

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions at the rate of 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district and regional cooperative employees whose salaries are federally funded, the employer contributes 15.355% of salaries. If an employee leaves covered employment before accumulating five years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

Medical Insurance Plan

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

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

Funding Policy – In order to fund the post-retirement healthcare benefit, 6% of the gross annual payroll of employees before July 1, 2008 is contributed – 3% is paid by member contributions, .75% is from Commonwealth appropriation, and 2.25% is from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

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

At June 30, 2015, the District did not report a liability for its proportionate share of the net pension liability because the Commonwealth of Kentucky provides the pension support directly to KTRS on behalf of the District. For the year ended June 30, 2015, the District recognized \$1,843,843 in pension expense and in revenue in the government-wide financial statements for KTRS support provided by the Commonwealth.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE H - RETIREMENT PLANS (CONTINUED)

Teachers' Retirement System of Kentucky (Continued)

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

The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the KTRS net pension liability	\$ -
Commonwealth's proportionate share of the KTRS net pension liability associated with the District	\$78,244,064

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commonwealth's proportionate share of the net pension liability associated with the District was based on the actual liability of the employees and former employees of the District relative to the total liability for non-university employers of KTRS as determined by the actuary, which accounted for .3808% as of June 30, 2014.

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment Rate of Return	7.50%, net of pension plan investment expense, including inflation
Projected Salary Increases	4.00 – 8.20%, including inflation
Inflation Rate	3.50%
Municipal Bond Index Rate	4.35%
Single Equivalent Interest Rate	5.23%

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

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

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE H - RETIREMENT PLANS (CONTINUED)

Teachers' Retirement System of Kentucky (Concluded)

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

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

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

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

The following table presents the net pension liability of KTRS, calculated using the discount rate of 5.23%, as well as what the KTRS's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.23%) or 1-percentage-point higher (6.23%) than the current rate:

	1% Decrease 4.23%	Current Discount 5.23%	1% Increase 6.23%
KTRS's Net Pension Liability	\$27,122,640	\$21,592,157	\$17,027,992

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

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE H - RETIREMENT PLANS (CONTINUED)

County Employees Retirement System

General Information about the County Employees Retirement System

Plan Description – Employees whose positions do not require a degree (classified personnel) are covered by the County Employees Retirement System (CERS), a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute (KRS) Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. The report may be obtained by writing to the Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601 or from the KRS website at www.kyret.ky.gov.

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

Tier 1	Participation date Unreduced retirement Reduced retirement	Before September 1, 2008 27 years service or 65 years old At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date Unreduced retirement Reduced retirement	September 1, 2008 – December 31, 2013 At least 5 years service and 65 years old Age 57+ and sum of service years plus age = 87 At least 10 years service and 60 years old
Tier 3	Participation date Unreduced retirement Reduced retirement	After December 31, 2013 At least 5 years service and 65 years old Age 57+ and sum of service years plus age = 87 Not available

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

Contributions – Employees in all tiers contribute 5% of their salaries, and those in Tiers 2 and 3 also contribute an additional 1% of their salaries for insurance. Participating employers contributed 17.67% of members' non-hazardous compensation for the year ended June 30, 2015.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE H - RETIREMENT PLANS (CONTINUED)

County Employees Retirement System (Continued)

Medical Insurance Plan

Plan Description – In addition to the pension benefits described above, Kentucky Revised Statute 61.702 requires CERS to provide post-retirement healthcare benefits to eligible members and dependents. Changes made to the medical plan may be made by the Kentucky Retirement Systems' Board of Trustees and the General Assembly. Additional information can be obtained in the aforementioned financial statements and required supplementary information for CERS.

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

At June 30, 2015, the District reported a liability of \$5,398,000 for its proportionate share of the net pension liability for CERS. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the actual contributions of the District relative to the total contributions of all participating members of CERS during the measurement period July 1, 2013 through June 30, 2014. At June 30, 2014, the District's proportion was 0.166378%.

For the year ended June 30, 2015, the District recognized pension expense of \$614,025 for CERS. The District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$603,000
District contributions subsequent to the measurement date	693,134	-
	\$693,134	\$603,000

\$693,134 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred inflows related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2016	\$(150,750)
2017	(150,750)
2018	(150,750)
2019	(150,750)

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE H - RETIREMENT PLANS (CONTINUED)

County Employees Retirement System (Continued)

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

Actuarial assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment Rate of Return	7.75%, net of pension plan investment expense, including inflation
Projected Salary Increases	4.5%, average, including inflation
Inflation Rate	3.50%

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2008.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE H - RETIREMENT PLANS (CONCLUDED)

County Employees Retirement System (Concluded)

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	30.0%	8.45%
International Equity	22.0%	8.85%
Emerging Market Equity	5.0%	10.50%
Private Equity	7.0%	11.25%
Real Estate	5.0%	7.00%
Core US Fixed Income	10.0%	5.25%
High Yield US Fixed Income	5.0%	7.25%
Non US Fixed Income	5.0%	5.50%
Commodities	5.0%	7.75%
TIPS	5.0%	5.00%
Cash	1.0%	3.25%
Total	100.0%	

Discount Rate – The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining twenty-nine 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 projection period.

Sensitivity of Proportionate Share of Net Pension Liability to Changes in the Discount Rate – The following table presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	<u>1% Decrease 6.75%</u>	<u>Current Discount 7.75%</u>	<u>1% Increase 8.75%</u>
District's proportionate share of the net pension liability	\$7,103,409	\$5,398,000	\$3,891,234

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE I - DEFERRED COMPENSATION

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. GASB Statement No. 32 allows entities with little or no administrative involvement and who do not perform the investing function for these plans to omit plan assets and related liabilities from their financial statements. The District therefore does not show these assets and liabilities on its financial statements. The District does not contribute to this plan.

NOTE J - INSURANCE AND 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, students, and guests; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, general and automotive liability coverage, and other miscellaneous risks, the District purchases commercial insurance.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund.

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

NOTE K - COMMITMENTS AND CONTINGENCIES

The District receives funding from federal, state, and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based on the grantor's review, the funds are considered not to have been used for the intended purpose, the grantor 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 contingent upon the grantors' satisfaction that the funds provided are being spent as intended, the grantors' intent to continue the programs, and the availability of funding.

The Kentucky School Boards Insurance Trust (KSBIT) is currently in litigation involving \$5.5 million owed in surplus notes. If it is determined that the notes must be repaid, it is probable that an assessment will be made for current and past participating members to fund the deficit. As it is not possible to estimate the amount of the assessment, no entries have been made to the District's financial statements for the current year.

During the fiscal year, the District received 14.65 acres of donated land valued at \$260,000 for the purpose of constructing a new school for Irvington Elementary. The total project cost is estimated at \$15.53 million. The District anticipates selling bonds in January 2016, and additional funding will be provided by cash reserved for capital projects. The District also approved the purchase of an additional 5 acres of land for the new school at a cost of \$65,000.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE K - COMMITMENTS AND CONTINGENCIES (CONCLUDED)

The District is in the early planning stage for the construction of another new school, Hardinsburg Elementary. The estimated cost is \$16 million and funding would be provided by additional bonding and cash reserved for capital projects. Prior to year-end the District entered into a tentative agreement to purchase 44.73 acres at a cost of \$850,000, contingent upon approval from the Kentucky Department of Education.

NOTE L - ON-BEHALF PAYMENTS

For the year ended June 30, 2015, payments were made for life insurance, health insurance, health reimbursement accounts, KTRS retirement contributions, administrative fees, and technology by the Commonwealth of Kentucky on behalf of the District. In addition, debt service payments (principal and interest) were made by the SFCC on behalf of the District. These on-behalf payments were recorded as intergovernmental revenue and expenses/expenditures in the government-wide, General Fund, Proprietary Fund, and Debt Service Fund financial statements.

The on-behalf payments received were as follows:

Health insurance	\$3,018,227
Life insurance	5,443
Administrative fee	37,346
Health reimbursement account	156,537
KTRS retirement contributions	1,843,843
Federal reimbursement (pd by District)	(317,719)
Debt service (SFCC payments)	250,723
Technology (KEN, MUNIS, etc.)	<u>61,616</u>
Total On-Behalf Payments	<u><u>\$5,056,016</u></u>

The amount received for the fiscal year ended June 30, 2015 was allocated as follows:

General Fund/Governmental Activities	\$4,577,988
Proprietary Fund/Business-Type Activities	227,305
Debt Service Fund	<u>250,723</u>
Total On-Behalf Payments	<u><u>\$5,056,016</u></u>

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE M - FUND BALANCES

The fund balances for the Governmental Funds were classified as follows:

Fund Balances	General Fund	Special Revenue (Grant) Fund	Nonmajor Governmental Funds
Nonspendable:			
Prepaid items	\$ 265,563	\$ -	\$ -
Restricted:			
Capital projects	-	-	857,664
Debt service	-	-	263,349
Committed:			
Future construction	3,795,255	-	-
Assigned:			
Encumbrances	72,205	-	-
Site based councils	28,399	-	-
Educational programs	385,000	-	-
District improvement plan	264,100	-	-
Other programs	114,500	-	-
Future facilities needs	1,185,306	-	-
Unassigned	692,948	(48,768)	(51,233)
Total Fund Balances	<u>\$6,803,276</u>	<u>\$(48,768)</u>	<u>\$1,069,780</u>

NOTE N - INTERFUND ACTIVITY

Most program costs in the Special Revenue Fund must be paid for by District funds before reimbursement is requested from the federal government. The General Fund temporarily covered program expenditures, so an interfund balance resulted from the time lag between the dates expenditures were made and the date that grant funds were received. The General Fund also temporarily covered capital project expenses for the Construction Fund. As a result, the following interfund balances existed at year-end:

Due From	Due To	Amount
Special Revenue	General	\$258,284
Construction	General	50,779
		<u>\$309,063</u>

The following interfund transfers were made during the year:

From Fund	To Fund	Amount	Purpose
General	Special Revenue	\$ 58,786	Technology match
Construction	General	18,826	Return overfunding
Food Service	General	44,039	Indirect costs
Capital Outlay	General	400,000	Capital funds transfer request
Building	Debt Service	794,685	Debt service
		<u>\$1,316,336</u>	

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE O - RESTATEMENT

The implementation of GASB Statements No. 68 and 71 (see Note A) resulted in the restatement of the beginning net position of the governmental and business-type activities in the government-wide financial statements and of the proprietary fund in the fund level financial statements.

	<u>Governmental Activities</u>	<u>Business-Type Activities/ Proprietary Fund</u>	<u>Total</u>
Net Position at June 30, 2014, Previously Reported	\$27,189,445	\$1,021,084	\$28,210,529
Prior period adjustment for: Net pension liability as of measurement date of June 30, 2013	(5,242,496)	(865,504)	(6,108,000)
Deferred outflows – District’s contributions made during fiscal year 2014	<u>618,856</u>	<u>102,169</u>	<u>721,025</u>
Net Position at June 30, 2014, Restated	<u>\$22,565,805</u>	<u>\$ 257,749</u>	<u>\$22,823,554</u>

NOTE P - PRIVATE PURPOSE TRUST FUND

At the end of the fiscal year, the District received a bequest of \$300,000 for the purpose of providing scholarship funds to high school students attending college to pursue careers in the areas of math, science, and agriculture. No scholarships were awarded during the year. This activity is reported in the Fiduciary Fund.

NOTE Q - SUBSEQUENT EVENTS

Subsequent to year-end, the District approved four separate bids totaling \$2.2 million for site development, foundation work, and blasting for the new Irvington Elementary School (see Note K).

REQUIRED SUPPLEMENTARY INFORMATION

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable) Final to Actual</u>
<u>Revenues</u>				
From local sources:				
Property taxes	\$ 4,249,187	\$ 4,239,663	\$ 4,115,871	\$ (123,792)
Motor vehicle taxes	755,318	791,955	870,238	78,283
Utility taxes	828,200	947,136	1,063,797	116,661
Tuition and textbook fees	14,024	27,824	24,175	(3,649)
Transportation reimbursement	110,000	130,000	135,178	5,178
Interest income	36,060	29,924	26,855	(3,069)
Donations/grants	-	-	5,700	5,700
Other income	170,355	157,700	94,390	(63,310)
Intergovernmental - state	14,390,618	14,488,891	14,935,360	446,469
Intergovernmental - direct federal	25,000	30,000	38,015	8,015
Total Revenues	20,578,762	20,843,093	21,309,579	466,486
<u>Expenditures</u>				
Instruction	12,011,128	12,081,757	12,363,046	(281,289)
Support services:				
Student	633,140	636,490	642,445	(5,955)
Instructional staff	504,493	501,044	511,220	(10,176)
District administration	2,296,525	2,081,688	1,057,716	1,023,972
School administration	1,777,755	1,747,245	1,715,889	31,356
Business	981,195	1,002,245	1,036,665	(34,420)
Plant operations and maintenance	2,219,182	2,195,877	2,394,488	(198,611)
Student transportation	2,087,051	1,989,204	1,970,917	18,287
Food service	1,770	2,133	2,550	(417)
Debt service:				
Payment of principal	-	-	32,909	(32,909)
Payment of interest and fiscal charges	-	-	3,508	(3,508)
Total Expenditures	22,512,239	22,237,683	21,731,353	506,330
Deficiency of Revenues over Expenditures	(1,933,477)	(1,394,590)	(421,774)	972,816
<u>Other Financing Sources (Uses)</u>				
Operating transfers in	22,665	532,327	462,865	(69,462)
Operating transfers out	(60,000)	(49,372)	(58,786)	(9,414)
Proceeds from sale of fixed assets	500	500	-	(500)
Capital lease proceeds	-	-	132,510	132,510
Total Other Financing Sources (Uses)	(36,835)	483,455	536,589	53,134
Net Changes in Fund Balance	(1,970,312)	(911,135)	114,815	1,025,950
Fund Balance - Beginning of Year	2,000,000	911,135	6,688,461	5,777,326
Fund Balance - End of Year	\$ 29,688	\$ -	\$ 6,803,276	\$ 6,803,276

See accompanying notes to budgetary comparison schedules.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable) Final to Actual</u>
<u>Revenues</u>				
From local sources:				
Tuition and textbook fees	\$ -	\$ 66,950	\$ 68,683	\$ 1,733
Donations/grants	34,000	45,000	36,039	(8,961)
Other income	-	6,500	2,000	(4,500)
Intergovernmental - state	793,745	851,066	905,706	54,640
Intergovernmental - indirect federal	1,702,256	1,726,496	1,770,625	44,129
Intergovernmental - direct federal	996,000	996,909	999,598	2,689
Total Revenues	<u>3,526,001</u>	<u>3,692,921</u>	<u>3,782,651</u>	<u>89,730</u>
<u>Expenditures</u>				
Instruction	2,382,408	2,677,076	2,628,152	48,924
Support services:				
Student	150,132	137,127	137,220	(93)
Instructional staff	470,254	417,082	507,086	(90,004)
Business	41,415	49,422	48,930	492
Plant operations and maintenance	103,255	94,748	170,978	(76,230)
Student transportation	18,073	18,535	7,376	11,159
Other support services	-	800	615	185
Community services	269,414	356,917	357,434	(517)
Total Expenditures	<u>3,434,951</u>	<u>3,751,707</u>	<u>3,857,791</u>	<u>(106,084)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>91,050</u>	<u>(58,786)</u>	<u>(75,140)</u>	<u>(16,354)</u>
<u>Other Financing Sources</u>				
Operating transfers in	24,616	58,786	58,786	-
Net Changes in Fund Balance	115,666	-	(16,354)	(16,354)
Fund Balance - Beginning of Year	-	-	(32,414)	(32,414)
Fund Balance - End of Year	<u>\$ 115,666</u>	<u>\$ -</u>	<u>\$ (48,768)</u>	<u>\$ (48,768)</u>

See accompanying notes to budgetary comparison schedules.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO BUDGETARY COMPARISON SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE A - BASIS OF PRESENTATION

The Budgetary Comparison Schedules for the General Fund and Special Revenue Fund present the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, and variances between the final budget and actual data.

NOTE B - BUDGET VIOLATIONS

During the 2015 fiscal year, the District's General Fund and Special Revenue Fund incurred line item expenditures in excess of budget, and the Special Revenue Fund's expenditures exceeded the appropriations for the fiscal year.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
Last 10 Fiscal Years***

	2015
<u>KENTUCKY TEACHERS' RETIREMENT SYSTEM</u>	
District's proportion of the net pension liability	0.000%
District's proportionate share of the net pension liability	\$ -
Commonwealth's proportionate share of the net pension liability associated with the District	\$ 78,244,064
District's covered-employee payroll	\$ 11,932,665
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%
Plan fiduciary net position as a percentage of the total pension liability	45.591%
 <u>COUNTY EMPLOYEES RETIREMENT SYSTEM</u>	
District's proportion of the net pension liability	0.166378%
District's proportionate share of the net pension liability	\$ 5,398,000
District's covered-employee payroll	\$ 3,850,311
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	140.20%
Plan fiduciary net position as a percentage of the total pension liability	66.801%

Note: The data provided in this schedule is based as of the measurement date of each System's net pension liability, which is as of June 30th of the prior fiscal year.

* This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See accompanying notes to pension schedules.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS**

Last 10 Fiscal Years*

	2015
<u>COUNTY EMPLOYEES RETIREMENT SYSTEM</u>	
Contractually required contribution	\$ 695,417
Contributions in relation to the contractually required contribution	\$ (695,417)
Contribution deficiency (excess)	\$ -
District's covered-employee payroll	\$ 3,935,584
Contributions as a percentage of covered- employee payroll	17.67%

Note: The District is not contractually required to make contributions to the Kentucky Teachers' Retirement System; therefore, no amounts are reported.

* This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See accompanying notes to pension schedules.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO PENSION SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE A - CHANGES OF BENEFIT TERMS

There were no changes of benefit terms.

NOTE B - CHANGES OF ASSUMPTIONS

There were no changes of assumptions.

SUPPLEMENTARY INFORMATION

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015**

	<u>Capital Project Funds</u>				<u>Total Nonmajor Governmental Funds</u>
	<u>SEEK Capital Outlay Fund</u>	<u>FSPK Building Fund</u>	<u>Construction Fund</u>	<u>Debt Service Fund</u>	
<u>Assets</u>					
Cash and cash equivalents	\$ 91,632	\$ 766,032	\$ -	\$ 263,349	\$ 1,121,013
Total Assets	<u>\$ 91,632</u>	<u>\$ 766,032</u>	<u>\$ -</u>	<u>\$ 263,349</u>	<u>\$ 1,121,013</u>
<u>Liabilities</u>					
Accounts payable	\$ -	\$ -	\$ 454	\$ -	\$ 454
Due to other funds	-	-	50,779	-	50,779
Total Liabilities	<u>-</u>	<u>-</u>	<u>51,233</u>	<u>-</u>	<u>51,233</u>
<u>Fund Balances</u>					
Restricted for capital projects	91,632	766,032	-	-	857,664
Restricted for debt service	-	-	-	263,349	263,349
Unassigned	-	-	(51,233)	-	(51,233)
Total Fund Balances	<u>91,632</u>	<u>766,032</u>	<u>(51,233)</u>	<u>263,349</u>	<u>1,069,780</u>
Total Liabilities and Fund Balances	<u>\$ 91,632</u>	<u>\$ 766,032</u>	<u>\$ -</u>	<u>\$ 263,349</u>	<u>\$ 1,121,013</u>

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Capital Project Funds</u>				Total Nonmajor Governmental Funds
	SEEK Capital Outlay Fund	FSPK Building Fund	Construction Fund	Debt Service Fund	
<u>Revenues</u>					
From local sources:					
Property taxes	\$ -	\$ 1,086,100	\$ -	\$ -	\$ 1,086,100
Interest income	1,220	2,031	137	4,697	8,085
Intergovernmental - state	244,945	374,269	47,824	250,723	917,761
Total Revenues	<u>246,165</u>	<u>1,462,400</u>	<u>47,961</u>	<u>255,420</u>	<u>2,011,946</u>
<u>Expenditures</u>					
Facilities acquisition and construction	-	-	339,544	-	339,544
Debt service:					
Payment of principal	-	-	-	765,000	765,000
Payment of interest and fiscal charges	-	-	-	189,864	189,864
Total Expenditures	<u>-</u>	<u>-</u>	<u>339,544</u>	<u>954,864</u>	<u>1,294,408</u>
Excess (Deficiency) of Revenues over Expenditures	<u>246,165</u>	<u>1,462,400</u>	<u>(291,583)</u>	<u>(699,444)</u>	<u>717,538</u>
<u>Other Financing Sources (Uses)</u>					
Operating transfers in	-	-	-	794,685	794,685
Operating transfers out	(400,000)	(794,685)	(18,826)	-	(1,213,511)
Total Other Financing Sources (Uses)	<u>(400,000)</u>	<u>(794,685)</u>	<u>(18,826)</u>	<u>794,685</u>	<u>(418,826)</u>
Net Changes in Fund Balances	(153,835)	667,715	(310,409)	95,241	298,712
Fund Balances - Beginning of Year	245,467	98,317	259,176	168,108	771,068
Fund Balances - End of Year	<u>\$ 91,632</u>	<u>\$ 766,032</u>	<u>\$ (51,233)</u>	<u>\$ 263,349</u>	<u>\$ 1,069,780</u>

BRECKINRIDGE COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES
BRECKINRIDGE COUNTY HIGH SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Cash Balances July 1, 2014	Receipts	Disbursements	Transfers In (Out)	Cash Balances June 30, 2015	Accounts Receivable June 30, 2015	Accounts Payable June 30, 2015	Fund Balances June 30, 2015
ACCOUNTS:								
Academic Team	\$ -	\$ 1,200	\$ 4,482	\$ 3,282	\$ -	\$ -	\$ -	\$ -
Archery	-	5,561	5,449	1,794	1,906	-	-	1,906
Art Club	153	110	100	-	163	-	-	163
Athletics	789	23,219	13,059	(6,644)	4,305	100	-	4,405
Athletic Concessions	1,005	31,944	21,884	(11,065)	-	-	-	-
Band	-	2,156	2,047	(109)	-	-	-	-
Baseball	686	16,901	23,598	6,011	-	-	-	-
Boys Basketball	3,164	36,959	34,037	(750)	5,336	-	-	5,336
Boys Regional	-	8,937	-	(7,692)	1,245	-	-	1,245
Challenge Club	-	4,575	3,782	-	793	-	-	793
Charitable Gaming	-	8,805	8,805	-	-	-	-	-
Chorus	5,323	16,706	17,803	(325)	3,901	-	-	3,901
College Bound 101	390	-	-	-	390	-	-	390
Cross Country	-	1,000	1,670	1,879	1,209	-	-	1,209
Dance	2,399	15,034	12,168	1,782	7,047	355	1,515	5,887
Drama Club	110	-	-	-	110	-	-	110
FFA	-	17,644	17,160	(34)	450	75	226	299
FCCLA	231	10,989	10,199	(705)	316	-	-	316
Floral Design	630	175	1,298	514	21	-	-	21
Flower Fund	925	660	510	-	1,075	-	-	1,075
Football	4,847	40,339	41,517	497	4,166	-	1,150	3,016
General	59	20,580	19,529	38	1,148	611	506	1,253
Girls Basketball	2,124	23,907	27,805	1,774	-	-	-	-
Girls Soccer	679	6,360	6,538	625	1,126	-	-	1,126
Girls Softball	3,925	18,349	22,637	3,181	2,818	240	-	3,058
Golf	782	9,085	8,427	1,013	2,453	-	-	2,453
Greenhouse	25,695	23,325	19,055	(116)	29,849	1,300	35	31,114
GT	-	9,632	9,621	-	11	-	-	11
JV Cheerleaders	2,163	2,719	1,042	(551)	3,289	-	-	3,289
Music Club	70	70	100	-	40	-	-	40
National Honor Society	408	1,485	1,191	(174)	528	-	-	528
Pep Club	3,580	4,090	1,674	(2,240)	3,756	-	-	3,756
Powderpuff	-	809	-	(809)	-	-	-	-
Project Graduation	1,182	38,385	38,692	496	1,371	-	65	1,306
Prom	13,397	9,065	7,828	-	14,634	-	-	14,634
SADD	272	1,110	1,194	-	188	-	-	188
Scholarships	2,500	3,500	6,000	-	-	-	-	-
Sports Flex	320	-	-	(320)	-	-	-	-
Student Y Club	327	9,235	8,980	-	582	-	-	582
Teacher Concessions	554	3,631	2,147	(133)	1,905	-	52	1,853
Tiger Paws	5,277	7,190	10,001	4,397	6,863	-	-	6,863
Varsity Cheerleader	3,086	40,250	43,952	2,481	1,865	1,597	798	2,664
Volleyball	9,809	22,889	25,653	1,903	8,948	-	-	8,948
Yearbook	367	16,711	3,809	-	13,269	-	-	13,269
Youth Services Center	254	50	101	-	203	-	-	203
Totals	\$ 97,482	\$ 515,341	\$ 485,544	\$ -	\$ 127,279	\$ 4,278	\$ 4,347	\$ 127,210

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES
ACTIVITY FUNDS BY SCHOOL
FOR THE YEAR ENDED JUNE 30, 2015**

ACTIVITY FUND:	Cash Balances July 1, 2014	Receipts	Disbursements	Cash Balances June 30, 2015	Accounts Receivable June 30, 2015	Accounts Payable June 30, 2015	Fund Balances June 30, 2015
Ben Johnson Elementary School	\$ 23,346	\$ 44,610	\$ 44,164	\$ 23,792	\$ 13	\$ 907	\$ 22,898
Custer Elementary School	20,407	36,043	34,225	22,225	191	225	22,191
Hardinsburg Elementary School	36,686	101,025	81,350	56,361	607	900	56,068
Irvington Elementary School	19,299	55,059	48,113	26,245	-	1,494	24,751
Breckinridge County Middle School	41,804	156,840	157,900	40,744	389	9,356	31,777
Totals	<u>\$ 141,542</u>	<u>\$ 393,577</u>	<u>\$ 365,752</u>	<u>\$ 169,367</u>	<u>\$ 1,200</u>	<u>\$ 12,882</u>	<u>\$ 157,685</u>



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

Kentucky State Committee for School District Audits
Members of the Board of Education
Breckinridge County School District
Hardinsburg, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Breckinridge County School District (District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 19, 2015.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2015-001 that we consider to be a material weakness.

Compliance and Other Matters

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

We also noted certain additional matters that we have reported to management in a separate letter dated October 19, 2015.

Breckinridge County School District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 result 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.

Drane & Company, PLLC

Drane & Company, PLLC
Certified Public Accountants

Hardinsburg, KY

October 19, 2015



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

Kentucky State Committee for School District Audits
Members of the Board of Education
Breckinridge County School District
Hardinsburg, Kentucky

Report on Compliance for Each Major Federal Program

We have audited the Breckinridge County School District's (District) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. These 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 other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Drane & Company, PLLC

Drane & Company, PLLC
Certified Public Accountants

Hardinsburg, KY

October 19, 2015

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Local Code</u>	<u>Grant or Pass-Through Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Health and Human Services</u>				
Direct Programs:				
Head Start	93.600	6554	04CH4659/01	\$ 2,689
Head Start	93.600	655A	04CH4659/02	996,909
Total U.S. Department of Health and Human Services				<u>999,598</u>
<u>U.S. Department of Agriculture</u>				
Passed Through Kentucky Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	203X	7760005	347,560
National School Lunch Program [Cash Assistance]	10.555	205X	7750002	822,748
National School Lunch Program [Noncash Assistance]	10.555	205X	7750002	133,334
Total National School Lunch Program				<u>956,082</u>
Summer Food Service Program for Children	10.559	209X	7690024	2,363
Summer Food Service Program for Children	10.559	209X	7740023	45,829
Total Summer Food Service Program for Children				<u>48,192</u>
Total Child Nutrition Cluster				<u>1,351,834</u>
Child and Adult Care Food Program	10.558	208X	7790021	20,746
Child and Adult Care Food Program	10.558	208X	7800016	102
Total Child and Adult Care Food Program				<u>20,848</u>
State Administrative Expenses for Child Nutrition	10.560	N/A	7850012	1,000
Total U.S. Department of Agriculture				<u>1,373,682</u>
<u>U.S. Department of Education</u>				
Passed Through Kentucky Department of Education:				
Special Education Cluster (IDEA):				
Special Education - Grants to States	84.027	337X	3810002	577,631
Special Education - Preschool Grants	84.173	343X	3800002	24,278
Total Special Education Cluster (IDEA)				<u>601,909</u>
Title I, Part A Cluster:				
Title I Grants to Local Educational Agencies	84.010	310X	3100002	919,142
Total Title I, Part A Cluster				<u>919,142</u>
Migrant Education - State Grant Program	84.011	311X	3110002	4,765
Career and Technical Education - Basic Grants to States	84.048	348X	3710002	22,282
Rural Education	84.358	350X	3140002	44,237
Improving Teacher Quality State Grants	84.367	401X	3230002	166,975
Race to the Top	84.413	452X	3960002	11,316
Total U.S. Department of Education				<u>1,770,626</u>
Total Expenditures of Federal Awards (All Programs)				<u><u>\$4,143,906</u></u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

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

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (schedule) includes the federal grant activity of the Breckinridge County School District under programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. As 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 B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in *OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments* (2 CFR, Part 225).

NOTE C - FOOD DONATION

Non-monetary assistance in the form of commodities received and disbursed, which is equivalent to a fair market value of \$133,334, is included in the schedule under National School Lunch Program [Noncash Assistance] (CFDA 10.555).

NOTE D - SUBRECIPIENTS

There were no subrecipients for federal awards during the fiscal year.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

Section I: Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- | | | |
|---|---|---|
| Any material weakness(es) identified? | <input checked="" type="checkbox"/> yes | <input type="checkbox"/> no |
| Any significant deficiency(ies) identified? | <input type="checkbox"/> yes | <input checked="" type="checkbox"/> none reported |
| Any noncompliance material to financial statements noted? | <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no |

Federal Awards

Internal control over major programs:

- | | | |
|---|------------------------------|---|
| Any material weakness(es) identified? | <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no |
| Any significant deficiency(ies) identified? | <input type="checkbox"/> yes | <input checked="" type="checkbox"/> none reported |

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

- | | | |
|--|------------------------------|--|
| Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)? | <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no |
|--|------------------------------|--|

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
•Child Nutrition Cluster:	
School Breakfast Program	10.553
National School Lunch Program	10.555
Summer Food Service Program for Children	10.559
•Head Start	93.600

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

- | | | |
|--|------------------------------|--|
| Auditee qualified as low-risk auditee? | <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no |
|--|------------------------------|--|

Section II: Financial Statement Findings

Finding 2015-001.

Section III: Federal Awards Findings

None.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

Finding: 2015-001 (Repeat)

<i>Criteria:</i>	Audit adjustments are indicative of a deficiency in the internal controls over financial reporting.
<i>Condition:</i>	Material adjustments were required as part of the audit process.
<i>Cause:</i>	Certain adjustments were overlooked.
<i>Effect:</i>	Account balances were overstated or understated.
<i>Recommendation:</i>	Staff should obtain any necessary training to familiarize themselves with the applicable accounting principles for the preparation of complete governmental financial statements, as well as routinely perform a final review to determine that all known adjustments have been made.
<i>Management Response:</i>	<i>The District Finance Officer will ensure all material adjustments are made. The District will ensure all financial staff receives and maintains all necessary training for preparation of the financial statements.</i>

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

Finding: 05-1

<i>Finding:</i>	Time and Effort
<i>Status:</i>	The District did not maintain adequate time and effort documentation for all employees working in federal programs.
<i>Corrective Action:</i>	The District Finance Officer will ensure adequate time and effort documentation is being completed. In addition, a review of all time and effort documentation will occur annually to ensure OMB compliance for time and effort requirements. Completion date: 06/30/2016

Finding: 2014-002

<i>Finding:</i>	Cash Management
<i>Status:</i>	This finding was corrected.

Finding: 2014-003

<i>Finding:</i>	Special Tests and Provisions - Verification
<i>Status:</i>	This finding was corrected.

MANAGEMENT LETTER POINTS



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Members of the Board of Education
Breckinridge County School District
Hardinsburg, Kentucky

In planning and performing our audit of the basic financial statements of Breckinridge County School District for the year ended June 30, 2015, we considered the District's internal control over financial reporting to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide an opinion on the effectiveness of the District's internal control.

However, during our audit we became aware of matters that are opportunities for strengthening internal control and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those immaterial matters. A separate report dated October 19, 2015 contains our report on internal control. This letter does not affect our report dated October 19, 2015 on the basic financial statements of the Breckinridge County School District.

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

Drane & Company, PLLC

Drane & Company, PLLC
Certified Public Accountants

Hardinsburg, KY

October 19, 2015

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS
FOR THE YEAR ENDED JUNE 30, 2015**

PRIOR YEAR

CENTRAL OFFICE

Bonding

Although the District implemented additional bonding for school bookkeepers during the current fiscal year, the public employee dishonesty coverage may still be inadequate for other employees, as it is limited to \$50,000 per occurrence. 702 KAR 3:080(4) stipulates, "A district board of education shall require the bonding of **all** employees who are responsible for board funds." In addition to a possible violation of state statute, the current coverage may be inadequate to safeguard the funds of the District. The District should review its coverage for compliance with 702 KAR 3:080(4), and at a minimum, the superintendent should be bonded for the same amount as the finance officer.

Management Response: The District will further evaluate the need for additional employee coverage for select positions to determine any possible violations. If it is determined there is a possible violation, then the District will take appropriate steps to eliminate the issue.

Disbursements

As in prior years, in order to ensure payments are made by the due date, one of the District's credit cards is paid by automatic bank draft; however, the District still prepares a paper check through the accounts payable function. Although the check is typically voided (on paper only), the potential exists for the check to be accidentally mailed to the vendor. The amount of the check does not always agree with the amount of the bank draft, so a reconciling item is then created during the bank reconciliation. The check has to be cleared in the system even though it never actually cleared the bank. This failure to maintain document control effectively removes any audit trail and could permit misappropriation. We continue to recommend that the District discontinue this practice as soon as possible. The District should either cancel the automatic bank draft and resume payment by paper check or enter the amount paid by automatic bank draft as a journal entry and discontinue preparation of a paper check.

Management Response: The District agrees with the recommendation and in 2015-2016 plans to make the necessary changes needed to ensure proper control in all points of the process. Specifically, the District will continue to pay by automatic bank draft and enter the amount paid as a journal entry.

As in prior years, errors were found during the testing of disbursements. Out of seventy disbursements, twenty-two errors were found, consisting of five payments made without a confirmation signature of the person receiving the goods or services, twelve purchases made without a proper purchase order, two with sales tax paid, and three without indication of proper approval. The person receiving the goods or services should sign the invoice to indicate receipt, and every effort should be made to obtain a purchase order prior to the purchase. Payments should only be made from supporting invoices that are properly approved, and sales tax should be deducted prior to payment.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS
FOR THE YEAR ENDED JUNE 30, 2015**

CENTRAL OFFICE (Concluded)

Management Response: The Finance Officer will ensure that all purchasing procedures are being followed by meeting with Central Office personnel and reviewing proper purchasing procedures. The Finance Officer will also conduct periodic audits to ensure all necessary paperwork is included with payment vouchers.

Maintenance Contract

As in the prior year, the District engaged an individual to perform football field maintenance on a contractual basis at the rate of \$800 per month for ten months (\$8,000 annually). The Internal Revenue Service and U.S. Department of Labor provide a number of tests to determine whether such a relationship constitutes the conditions of an independent contractor or an employer/employee. Based on our understanding of the regulations, we believe that this is in the nature of an employer/employee relationship. To avoid potential liabilities, we recommend that the District pay the individual as an employee. We also recommend that the District consider the potential savings by designating these duties to individuals already employed by the district.

Management Response: The District's Financial Officer and Superintendent will conduct further evaluation of worker status by the engaged individual. If determined to be in the nature of an employer/employee relationship, the District will take the necessary steps to correct this issue.

INDIVIDUAL SCHOOL ACTIVITY FUNDS

Ben Johnson Elementary School

Annual Reports

As in prior years, the annual financial report submitted by the school's parent-teacher organization was not in the prescribed format. The Redbook states that support/booster organizations should report receipts, expenditures, and beginning and ending balances to the principal by July 15 for the year ended June 30. We continue to recommend that more effort be made to obtain the required reports in the prescribed format.

Receipts

As in the prior year, we noted problems with receipts tested. Out of twenty-five transactions tested, seven Multiple Receipt Forms (MRF) did not contain the student's signatures as required by Redbook, and one was not completed properly. We recommend that more effort be made to ensure the proper completion of the MRF. We noted three instances where several MRF were combined into one receipt. A separate pre-numbered receipt should be issued to the payer any time money is received. Nine receipts did not have the required Fundraiser Worksheet (Form F-SA-2B), and one receipt was dated after the deposit date. Fundraiser Worksheets should be used when applicable, and receipts should be issued prior to deposits.

As in the prior year, receipt numbers were not noted on all deposit slips. Per Redbook guidelines, the deposit slip shall note the receipt numbers in the deposit.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS
FOR THE YEAR ENDED JUNE 30, 2015**

Ben Johnson Elementary School (Concluded)

Ticket Sales

As in the prior year, we noted Ticket Sale Forms that were completed incorrectly. We continue to recommend that more attention be given to the accurate preparation of Ticket Sale Forms.

Transfers

As in the prior year, we noted transfers missing the faculty signature (three out of twenty-five for the current fiscal year). We continue to recommend that the sponsor of the remitting activity sign the Transfer Form as outlined in the Redbook.

Credit Cards

We again noted instances in which the Credit Card Sign-In/Out Form was not completed properly. Thirteen out of thirty were missing the related purchase order number. There were eight instances in which the date and/or time the card was issued and/or returned was not documented. There was also one instance where an employee did not witness the return of the credit card. We recommend that more effort be made to ensure that the Credit Card Sign-In/Out Form is completed properly.

Disbursements

As in the prior year, we noted problems with the disbursements tested. Out of twenty-five disbursements tested, four payments were made based only on a purchase order, and three invoices were paid late. Payments should only be made from invoices, and all invoices should be paid by the due date.

We again noted that operating expenses were paid from activity funds. Per Redbook guidelines, activity funds should not be used to cover operating expenses, as these should be paid with District funds.

Management Response: Each year a meeting will be held with the Principal and school bookkeeper regarding each finding. An internal audit will be conducted by the District Finance Officer as a follow-up to ensure Redbook compliance and proper procedures are being followed.

Breckinridge County High School

Annual Reports

Although the annual report included a list of accounts receivable and accounts payable during the current year, the audit revealed additional receivables and payables of \$1,227 and \$1,747, respectively. We recommend that more effort be made to ensure that complete lists of receivables and payables accompany the annual school activity report as required by the Redbook.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS
FOR THE YEAR ENDED JUNE 30, 2015**

Breckinridge County High School (Continued)

Credit Cards

As in prior years, we noted instances in which the Credit Card Sign-In/Out Form was not completed properly. There were three instances where the time the card was issued or returned was not documented. We also noted two instances where the credit card was not returned by the close of the next business day, as required by the Redbook. We recommend that more effort be made to follow Redbook guidelines regarding the return of credit cards and proper completion of the Credit Card Sign-In/Out Form.

Disbursements

As in the prior year, we noted problems with the disbursements tested. Out of sixty transactions tested, eight purchase orders appeared to be made after the purchase, two invoices were paid late, and three student refunds were made without the proper form (Form F-SA-14 Student Refund/Disbursement Form). Purchase orders should be made prior to purchases, invoices should be paid timely, and Redbook forms should be completed when required. We also noted twenty-seven invoices paid without a confirmation signature of the person receiving the goods or services and one without the faculty sponsor's signature. Although the Purchase Order form no longer contains a section for receivership, the Redbook states that the vendor invoice or standard invoice must have a confirmation signature of the person receiving the goods or services before the payment process can continue. We continue to recommend that the person receiving the goods or services sign the invoice prior to payment to indicate receipt. The sponsor of the remitting fund should also sign to indicate approval.

As in the prior year, cash awards (prizes and scholarships) and operating expenses were paid from activity funds. Per Redbook guidelines, activity funds should not be used to award cash prizes or to cover operating expenses that should be paid with District funds. Scholarships should only be paid to the institution the recipient plans to attend.

Receipts

As in the prior year, we noted problems with the receipts tested. Out of sixty transactions tested, there were thirty-five instances where Redbook forms were either missing or not completed properly, and a deposit for gate proceeds from a ballgame was not made timely. We continue to recommend that more effort be made to ensure the proper completion of support forms required by the Redbook and that deposits over \$100 be made daily.

Fifty-four receipt numbers were not noted on deposit slips. Per Redbook guidelines, the deposit slip shall note the receipt numbers in the deposit.

Transfers

As in the prior year, we noted fourteen transfers were missing the faculty signature. Although, faculty members sign a request to transfer funds, we continue to recommend that the sponsor of the remitting activity and the principal sign the Transfer Form as outlined in the Redbook.

Travel Advances

As in the prior year, we noted two instances where Form FS-A-9 - Expense Report was not used for travel advances. As outlined in the Redbook, cash advances should be supported by Form FS-A-9. The completed form, related receipts, other supporting documents, and unused cash should be returned by the next business day after travel.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS
FOR THE YEAR ENDED JUNE 30, 2015**

Breckinridge County High School (Concluded)

Management Response: Each year a meeting will be held with the Principal and school bookkeeper regarding each finding. An internal audit will be conducted by the District Finance Officer as a follow-up to ensure Redbook compliance and proper procedures are being followed.

Breckinridge County Middle School

Annual Reports

As in the prior year, a list of accounts receivable did not accompany the annual school activity report for the fiscal year. We recommend that a list of receivables accompany the annual report as required by the Redbook.

Credit Cards

We again noted three instances where the credit card was not returned by the close of the next business day, as required by the Redbook. In some cases, the credit card was kept several days. We recommend that more effort be made to follow Redbook guidelines regarding the return of credit cards.

Disbursements

As in the prior year, we noted problems during the testing of twenty-five disbursements. We noted one instance where the purchase order was cancelled instead of the invoice, two purchase orders made after the invoice date, one payment made from a statement instead of an invoice, and two payments supported only by a purchase order. All invoices should be cancelled to avoid duplicate payments, purchase orders should be made prior to purchases, and payments should be made from original or standard invoices.

As in the prior year, gift cards, cash prizes, and operating expenses were paid from activity funds. Per Redbook guidelines, activity funds should not be used to purchase gift cards, award cash prizes, or cover operating expenses that should be paid with District funds.

Receipts

As in the prior year, we noted problems during the testing of twenty-five receipts. Eleven Multiple Receipt Forms (MRF) did not contain the student's signatures as required by Redbook. We recommend that more effort be made to ensure the proper completion of all forms required by the Redbook.

In the prior year, receipt numbers were not noted on deposit slips. We only noted two repeat occurrences in the current year. Per Redbook guidelines, the deposit slip shall note the receipt numbers in the deposit.

Management Response: Each year a meeting will be held with the Principal and school bookkeeper regarding each finding. An internal audit will be conducted by the District Finance Officer as a follow-up to ensure Redbook compliance and proper procedures are being followed.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS
FOR THE YEAR ENDED JUNE 30, 2015**

Custer Elementary School

Disbursements

As in the prior year, we noted problems during the testing of twenty-five disbursements. Two invoices were paid late, two disbursements were made without a purchase order, and one disbursement was missing the signature of the faculty sponsor. All invoices should be paid by the due date, purchase orders should be made prior to purchases, and proper signatures should be acquired.

As in the prior year, operating expenses were paid from activity funds. Per Redbook guidelines, activity funds should not be used to cover expenses that should be paid with District funds.

Receipts

As in the prior year, we noted problems with the receipts tested. Out of twenty-five transactions, one receipt was not accompanied by Form F-SA-6 – Multiple Receipt Form as required, and two receipts were not supported by Form F-SA-17 – Sales Collection Form. We recommend that more effort be made to ensure the proper completion of all forms required by Redbook.

As in the prior year, receipt numbers were not noted on deposit slips. Per Redbook guidelines, the deposit slip shall note the receipt numbers in the deposit.

Credit Cards

As in the prior year, we noted that the Credit Card Sign-In/Out Form was not always completed properly. We noted nineteen instances where the time and/or date of issuance/return were not documented. There was also one instance where an employee did not witness the return of the credit card and two instances where the related purchase order number was not recorded. We recommend that more effort be made to ensure that the Credit Card Sign-In/Out Form is completed properly. We also noted two instances where the credit card was not returned by the close of the next business day, as required by the Redbook. We recommend that more effort be made to follow Redbook guidelines regarding the return of credit cards.

Management Response: Each year a meeting will be held with the Principal and school bookkeeper regarding each finding. An internal audit will be conducted by the District Finance Officer as a follow-up to ensure Redbook compliance and proper procedures are being followed.

Hardinsburg Elementary School

Credit Cards

As in the prior year, we noted instances in which the Credit Card Sign-In/Out Form was not completed properly. There was one instance where the check-out time was missing and three instances where the credit card was not returned by the close of the next business day, as required by the Redbook. We continue to recommend that more effort be made to ensure that the Credit Card Sign-In/Out Form is completed properly and that more effort be made to follow Redbook guidelines regarding the return of credit cards.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS
FOR THE YEAR ENDED JUNE 30, 2015**

Hardinsburg Elementary School (Concluded)

Disbursements

As in the prior year, we noted problems during the testing of twenty-five disbursements. One payment was made without a confirmation signature of the person receiving the goods or services, one invoice was paid late, two invoices were not supported by a purchase order, and one purchase order was prepared after the invoice date. The person receiving the goods or services should sign the invoice to indicate receipt, all invoices should be paid by the due date, and purchase orders should be prepared prior to purchases.

As in the prior year, operating expenses were paid from activity funds. Per Redbook guidelines, activity funds should not be used to cover operating expenses, as these should be paid with District funds.

Receipts

In the prior year, receipt numbers were not noted on deposit slips. We only noted one repeat occurrence during testing for the current year. Per Redbook guidelines, the deposit slip shall note the receipt numbers in the deposit.

Management Response: Each year a meeting will be held with the Principal and school bookkeeper regarding each finding. An internal audit will be conducted by the District Finance Officer as a follow-up to ensure Redbook compliance and proper procedures are being followed.

Irvington Elementary School

Annual Reports

As in the prior year, an annual financial report was not submitted in the prescribed format by one of the school's support organizations. The Redbook states that support/booster organizations should report receipts, expenditures, and beginning and ending balances to the principal by July 15 for the year ended June 30. We continue to recommend that more effort be made to obtain the required reports in the prescribed format in a timely manner.

Credit Cards

As in the prior year, we noted that the Credit Card Sign-In/Out Form was not always completed properly. For all fifty-nine entries on the log, the time of issuance and return were not documented. There were five instances where the related purchase order number was not recorded and one instance where the employee checking out the credit card did not sign. We continue to recommend that more effort be made to ensure that the Credit Card Sign-In/Out Form is completed properly.

Disbursements

As in the prior year, we noted problems during the testing of twenty-five disbursements. Seven payments had no purchase order, four payments were made with no supporting invoice, and three invoices were paid late. Purchase orders should be properly completed prior to a purchase, and payments should be made from an original or standard invoice by the due date.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS
FOR THE YEAR ENDED JUNE 30, 2015**

Irvington Elementary School (Concluded)

As in the prior year, supplies and gifts for staff and operating expenses were paid from the General Fund. Per Redbook guidelines, activity funds should not be used to cover operating expenses, as these should be paid with District funds. Only staff generated funds such as proceeds from vending machines in staff areas should be used for staff gifts, dinners, etc.

Receipts

As in the prior year, we noted problems during the testing of twenty-five receipts. Some donations were supported by Form F-SA-6 – Multiple Receipt Form instead of Form F-SA-18 – Donation Acceptance Form; Forms F-SA-17 Sales Collection Form and F-SA-2B – Fundraiser Worksheet were not completed for auction proceeds and bookfair sales. We recommend that more effort be made to ensure the proper completion of all forms required by the Redbook.

As in the prior year, receipt numbers were not noted on deposit slips. Per Redbook guidelines, the deposit slip shall note the receipt numbers in the deposit.

Management Response: Each year a meeting will be held with the Principal and school bookkeeper regarding each finding. An internal audit will be conducted by the District Finance Officer as a follow-up to ensure Redbook compliance and proper procedures are being followed.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS
FOR THE YEAR ENDED JUNE 30, 2015**

CURRENT YEAR

CENTRAL OFFICE

Disbursements

During the testing of twelve credit card statements, we noted problems with nine. The supporting documentation for many credit card charges was not adequate. Several purchases were not supported by an invoice and/or purchase order, sales tax was paid, indication of approval and/or receivership was missing for several charges, and some invoices/receipts were not cancelled. Some charges had no supporting documentation. Every charge on a credit card statement should have a purchase order, invoice or receipt, and signatures to indicate approval and receipt. Sales tax exemption certificates should be provided to a vendor prior to purchase.

Management Response: The District Finance Officer will meet with all staff related to purchasing in order to review proper procedures and internal controls. A periodic review will be conducted to ensure compliance with all District purchasing procedures.

Travel vouchers are not being completed properly, as information is often missing, including the purpose and location of the travel. Purchase orders for conferences and hotel rooms do not always include the names of the employees attending. It is pertinent that all information is included on travel vouchers and purchase orders, particularly when federal grant money is used to pay for these expenses. When hotel room fees are paid with the District credit card, a statement of charges should be obtained from the hotel to support the amount. We also noted that employees attending the same event and living in close proximity to each other reported varying times of departure and return on travel vouchers. We recommend that travel vouchers submitted for the same event be reviewed together prior to making reimbursements and inquiries made where variances are substantial.

Management Response: The District Finance Officer will meet with all staff related to approving and keying travel vouchers in order to review proper internal controls. The Finance Officer will review Board Policies 03.125 and 03.225 to ensure adequate knowledge of all procedures. A periodic review will be conducted to ensure compliance with all District travel policies.

INDIVIDUAL SCHOOL ACTIVITY FUNDS

Ben Johnson Elementary School

Disbursements

Cash prizes and gifts for staff were paid from activity funds. Per Redbook guidelines, activity funds should not be used to award cash prizes. Only staff generated funds such as proceeds from vending machines in staff areas should be used for staff gifts, dinners, etc.

We noted three payments made from unrelated activity funds. Every effort should be made to make payments from the related activity funds. If there are not enough funds in the related activity fund, a transfer should be made, so the sponsor can approve the use of the funds for the unrelated activity.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS
FOR THE YEAR ENDED JUNE 30, 2015**

Ben Johnson Elementary School (Concluded)

We noted two advances for travel that were not accompanied by the required form. The Redbook requires that cash advances be supported by Form F-SA-9 – Expense Report. The completed form, related receipts, other supporting documentation, and any unused cash should be returned by the close of the next business day after travel.

Receipts

Two deposits over \$100 were not made timely, and two receipts could not be located. Per Redbook guidelines, deposits over \$100 should be made daily, and more effort should be made to retain the proper documentation.

Management Response: Each year a meeting will be held with the Principal and school bookkeeper regarding each finding. An internal audit will be conducted by the District Finance Officer as a follow-up to ensure Redbook compliance and proper procedures are being followed.

Breckinridge County High School

Activity Funds

Some activity funds carry forward excessive balances from year to year. Per Redbook guidelines, school activity funds should only be raised for a specific purpose and must be used for that purpose during the fiscal year. The goal of fundraising should be to benefit the students and purpose for which the funds were raised. The principal or designee should review school activity fund balances for excessive amounts and determine if certain student organizations should be prohibited from fundraising until the excessive balances have decreased.

Concessions

Forms F-SA-5 – Inventory Control Worksheet and F-SA-17 – Sales Collection Form are not being completed for concession sales. The Redbook requires that fundraising activities involving inventory for sale be supported by both forms and prepared by two different individuals.

Management Response: Each year a meeting will be held with the Principal and school bookkeeper regarding each finding. An internal audit will be conducted by the District Finance Officer as a follow-up to ensure Redbook compliance and proper procedures are being followed.

Breckinridge County Middle School

Activity Funds

Some activity funds carry forward excessive balances from year to year. Per Redbook guidelines, school activity funds should only be raised for a specific purpose and must be used for that purpose during the fiscal year. The goal of fundraising should be to benefit the students and purpose for which the funds were raised. The principal or designee should review school activity fund balances for excessive amounts and determine if certain student organizations should be prohibited from fundraising until the excessive balances have decreased.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS
FOR THE YEAR ENDED JUNE 30, 2015**

Breckinridge County Middle School (Concluded)

Disbursements

Gifts for staff were paid from the General Fund. Only staff generated funds such as proceeds from vending machines in staff areas should be used for staff gifts, dinners, etc.

Fundraisers

Money collected during a "change war" was not accompanied by Form F-SA-2B – Fundraiser Worksheet, as mandated by the Redbook. We recommend that all required Redbook forms be completed properly.

A fundraiser was held for charity, but the amount remitted was more than the amount collected. Per Redbook guidelines, charitable donations are allowable when made with funds collected specifically for that purpose. Accordingly, we recommend that donations be limited to the amount collected during the fundraiser.

Management Response: Each year a meeting will be held with the Principal and school bookkeeper regarding each finding. An internal audit will be conducted by the District Finance Officer as a follow-up to ensure Redbook compliance and proper procedures are being followed.

Custer Elementary School

Annual Reports

A list of accounts payable did not accompany the annual school activity report for the fiscal year, and the year-end bank reconciliation and recapitulation was not completed properly. We recommend that a list of payables accompany the annual report as required by the Redbook, and that more effort be made to ensure that forms are completed properly.

Concessions

Forms F-SA-5 – Inventory Control Worksheet are not completed properly. Concessions are not totaled, and beginning and ending inventory are not recorded. We recommend that more effort be made to complete the inventory worksheets properly.

Disbursements

Money was given as an advance to an employee to purchase family resource items. The receipts did not total the amount of the advance, but no money was returned, and sales tax was paid on some items. We recommend that the District present a sales tax exemption certificate at the time of the purchase to avoid the payment of sales tax. In the event that there is money left over from an advance, it should be returned to the school activity fund.

Ticket Sales

When tickets to events are sold, the school retains the ticket instead of giving it to the customer. The Redbook states that the ticket is to be given to the customer by the ticket seller, and the ticket taker (independent of the ticket seller) should tear the ticket and give half to the customer and retain the other half.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS
FOR THE YEAR ENDED JUNE 30, 2015**

Custer Elementary School (Concluded)

Management Response: Each year a meeting will be held with the Principal and school bookkeeper regarding each finding. An internal audit will be conducted by the District Finance Officer as a follow-up to ensure Redbook compliance and proper procedures are being followed.

Hardinsburg Elementary School

Annual Reports

A list of accounts receivable did not accompany the annual school activity report for the fiscal year. We recommend that a list of receivables accompany the annual report as required by the Redbook.

Management Response: Each year a meeting will be held with the Principal and school bookkeeper regarding each finding. An internal audit will be conducted by the District Finance Officer as a follow-up to ensure Redbook compliance and proper procedures are being followed.

Irvington Elementary School

Ticket Sales

During testing, we noted three out of four ticket sale forms were completed incorrectly, and the same ticket color was used for four consecutive events. We recommend that more attention be given to the accurate preparation of Form F-SA-1 – Report of Ticket Sales and to alternating ticket colors between consecutive events, as required by the Redbook.

Management Response: Each year a meeting will be held with the Principal and school bookkeeper regarding each finding. An internal audit will be conducted by the District Finance Officer as a follow-up to ensure Redbook compliance and proper procedures are being followed.