

BELL COUNTY SCHOOL DISTRICT

**BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2017

with

REPORT OF INDEPENDENT AUDITORS

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INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for
School District Audits
Members of the Board of Education
Bell County School District
Pineville, 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 Bell County School District, as of and for the year ended June 30, 2017, 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Auditor's Contract-General Audit Requirements* and *Appendix II to the Independent Auditor's Contract-State Audit Requirements*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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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 Bell County School District, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bell County School District's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards 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 combining and individual non-major fund financial statements, and the schedule of expenditures of federal awards, as required by the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



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Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 15, 2017, on our consideration of Bell County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bell County School District's internal control over financial reporting and compliance.

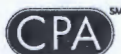
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Cloyd & Associates, PSC
London, Kentucky
November 15, 2017

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MANAGEMENT'S DISCUSSION & ANALYSIS (MD&A)
BELL COUNTY SCHOOL DISTRICT
Year ended June 30, 2017

The management of Bell County School District offers readers this narrative overview and analysis of the financial activities and educational programs of the District for the fiscal year ended June 30, 2017. We encourage readers to review the information presented here in conjunction with additional information found within the body of this audit.

This Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, issued June 1999; GASB Statement No. 37, Basic Financial Statement - and Management Discussion and Analysis - for State and Local Governments: Omnibus, an amendment to GASB Statements No. 21 and No. 34, issued in June 2001; and in GASB Statement No. 38, Certain Financial Statement Note Disclosures, issued in 2001. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

- The ending cash balance for the District was \$1,593,935 in 2017 and \$1,308,201 in 2016.
- The General Fund had \$22,687,954 in revenue, excluding interfund transfers, which primarily consisted of the state program (SEEK) and property, utilities, and motor vehicle taxes. Excluding interfund transfers, there was \$22,570,019 in General Fund expenditures.
- Governmental Capital Assets had a net decrease of \$763,573 during the current fiscal year. Business-Type Activities Capital Assets had a net increase of \$69,792 during the current fiscal year.
- Bonds are issued as the District renovates facilities consistent with a long-range facilities plan that is established with the community input and keeping with the Kentucky Department of Education stringent compliance regulations.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

The government-wide financial statements outline functions of the District that are primarily 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 asset acquisitions and related debt are also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on the pages referenced in table of contents of this report.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that are still outstanding. The District used these capital assets to provide services to its students; consequently, these assets are not available for future spending.

Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

MANAGEMENT'S DISCUSSION & ANALYSIS (MD&A) - CONTINUED
BELL COUNTY SCHOOL DISTRICT
Year ended June 30, 2017

Net Position for the period ending June 30, 2017

Fiscal year 2017 government-wide net position compared to 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 2,516,492	\$ 2,552,071
Capital assets	51,369,266	52,063,047
Total Assets	<u>\$ 53,885,758</u>	<u>\$ 54,615,118</u>
Deferred outflow of resources	<u>\$ 2,237,353</u>	<u>\$ 1,837,450</u>
Current liabilities	\$ 2,309,606	\$ 9,784,772
Noncurrent liabilities	38,841,970	32,138,430
Total Liabilities	<u>\$ 41,151,576</u>	<u>\$ 41,923,202</u>
Deferred inflow of resources	<u>\$ -</u>	<u>\$ -</u>
Net investment in capital assets,	\$ 19,944,642	\$ 19,096,250
Restricted net position	768,523	932,080
Unrestricted net position	(5,741,630)	(5,498,964)
Total net position	<u>\$ 14,971,535</u>	<u>\$ 14,529,366</u>

Net Position may serve over time as a useful indicator of a government's financial position. In the case of the District, governmental assets exceeded liabilities by approximately \$14,451,568; proprietary assets exceeded liabilities by \$519,967 and total assets exceeded liabilities by \$14,971,535 at June 30, 2017.

The District had an overall decrease in unrestricted net position of \$242,666, comprised of a decrease in governmental activities unrestricted net position of \$242,666.

The following table presents a fund accounting comparison and summary of revenue and expense for Government Funds only for the fiscal years 2017 and 2016.

MANAGEMENT'S DISCUSSION & ANALYSIS (MD&A) - CONTINUED
BELL COUNTY SCHOOL DISTRICT
Year ended June 30, 2017

	2017	2016
Revenues and other financing sources		
Local revenue sources	\$ 4,645,963	\$ 4,771,544
State revenue sources	21,788,802	22,485,107
Federal Revenue	3,224,099	3,222,015
Total revenue	29,658,864	30,478,666
Expenditures and other financing uses		
Instruction	\$ 15,083,084	\$ 14,519,082
Student support services	1,094,354	1,094,828
Instructional support	1,943,903	1,926,861
District administration	1,196,998	1,413,890
School administration	1,444,636	1,173,546
Business operations	533,986	2,367,130
Plant operation and maintenance	2,858,640	2,482,381
Student transportation	2,162,907	2,402,117
Community services	363,621	373,058
Site improvement	36,261	4,094,800
Debt Service	2,761,341	2,744,671
Total expenditures	29,479,731	34,592,364
Excess revenues (expenditures)	179,133	(4,113,698)
Other financing sources (uses)		
Bond principal proceeds	\$ -	\$ -
Proceeds from sale of assets	-	12
Transfers in	2,858,895	3,682,709
Transfers out	(2,795,643)	(3,682,709)
Total other financing sources (uses)	\$ 63,252	\$ 12
Net change in fund balance	\$ 242,385	\$ (4,113,686)

On-behalf payments are included in the above amounts. On-behalf, as defined by the KDE, are payments the state makes on behalf of employees to the various agencies for health and life insurance, retirement, and administration fees. The on-behalf payments are allocated to expense as mandated by the KDE and are credited to revenues; therefore, have no effect on the District's level fund balance.

BUDGETARY IMPLICATION

In Kentucky the public school fiscal year is July 1 through June 30; other programs, such as, some federal 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. The District adopted a working budget with \$710,854 in contingency. Significant variations in the actual results of operations and the final budget are

primarily due to on-behalf payments that are included in the financial statements, but are not budgeted by the District.

Comments on Budget Comparisons

- The District's total general fund revenues for the fiscal year ended June 30, 2017 were \$22,687,954 excluding transfers.
- General fund budgeted revenue compared to actual revenue varied from line item to line item with the ending actual balance being \$1,696,420 more than budget or 8.08% more than budget.
- The total cost of all general fund programs and services for the fiscal year ended June 30, 2017 was \$25,570,019, excluding transfers.
- General fund budgeted expenditures compared to actual expenditures varied from line item to line item with the ending actual balance being \$767,360 more than budget or 3.52% more than budget.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives.

Questions regarding this report should be directed to the Finance Officer, Steve Silcox or Superintendent, Yvonne Gilliam at (606) 337-7051 or by mail at Bell County Board of Education, 211 Virginia Avenue, Pineville, Kentucky 40977.

BELL COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2017

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,044,051	\$ 549,884	\$ 1,593,935
Investments-Certificates of Deposit	411,833	-	411,833
Accounts receivable:			
Taxes	227,790	-	227,790
Other	120,690	26,858	147,548
Intergovernmental - State	9,455	-	9,455
Intergovernmental - Federal	115,451	-	115,451
Inventories	-	10,480	10,480
Capital Assets, net			
Nondepreciable	20,388,256	-	20,388,256
Depreciable	30,784,111	196,899	30,981,010
Total assets	53,101,637	784,121	53,885,758
DEFERRED OUTFLOW OF RESOURCES			
Deferred amounts from refunding bonds	319,693	-	319,693
Deferred outflows from pensions	1,840,954	76,706	1,917,660
	<u>2,160,647</u>	<u>76,706</u>	<u>2,237,353</u>
LIABILITIES			
Accounts payable	108,211	5,105	113,316
Accrued expense	43	-	43
Unearned revenue	199,981	-	199,981
Current portion of KSBIT assessment payable	47,299	-	47,299
Current portion of capital lease obligations	51,671	-	51,671
Current maturities of bond obligations	1,625,000	-	1,625,000
Interest payable	272,296	-	272,296
Net pension liability	8,050,918	335,755	8,386,673
Noncurrent portion of KSBIT assessment payable	141,894	-	141,894
Noncurrent portion of capital lease obligations	377,646	-	377,646
Noncurrent maturities of bond obligations	29,690,000	-	29,690,000
Noncurrent portion of accumulated sick leave	245,757	-	245,757
Total liabilities	40,810,716	340,860	41,151,576
DEFERRED INFLOW OF RESOURCES			
Deferred amounts from pension	-	-	-
NET POSITION			
Net investment in capital assets	19,747,743	196,899	19,944,642
Restricted for:			
Capital expenditures	445,455	-	445,455
Other	-	323,068	323,068
Unrestricted	(5,741,630)	-	(5,741,630)
Total net position	\$ 14,451,568	\$ 519,967	\$ 14,971,535

The accompanying notes are an integral part of these financial statements.

BELL COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year ended June 30, 2017

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental activities							
Instruction	\$ 16,295,676	\$ 12,272	\$ 5,499,501	\$ -	\$ (10,783,903)	\$ -	\$ (10,783,903)
Student	1,096,246	-	315,545	-	(780,701)	-	(780,701)
Instructional support	1,944,272	-	1,172,025	-	(772,247)	-	(772,247)
District administration	1,202,274	-	270,467	-	(931,807)	-	(931,807)
School administration	1,444,796	-	315,545	-	(1,129,251)	-	(1,129,251)
Business support	533,986	-	135,234	-	(398,752)	-	(398,752)
Plant operations and maintenance	2,990,487	-	586,012	-	(2,404,475)	-	(2,404,475)
Student transportation	2,222,080	-	360,623	-	(1,861,457)	-	(1,861,457)
Other instructional	-	-	360,624	-	360,624	-	360,624
Community services	363,621	-	-	-	(363,621)	-	(363,621)
Interest on long-term debt	1,129,003	-	-	618,461	(510,542)	-	(510,542)
Total governmental activities	29,222,441	12,272	9,015,576	618,461	(19,576,132)	-	(19,576,132)
Business-type activities							
Food service	2,505,261	188,678	2,306,638	-	-	(9,945)	(9,945)
Total business-type activities	2,505,261	188,678	2,306,638	-	-	(9,945)	(9,945)
Total primary government	\$ 31,727,702	\$ 200,950	\$ 11,322,214	\$ 618,461	(19,576,132)	(9,945)	(19,586,077)
General revenues							
Taxes:							
Property					2,740,789	-	2,740,789
Motor vehicle					466,831	-	466,831
Utility					841,999	-	841,999
Other					80,626	-	80,626
Earnings on investments					61,109	15,693	76,802
State grants					15,378,862	-	15,378,862
Other local amounts					442,337	-	442,337
Transfers					63,252	(63,252)	-
Total general revenues					20,075,805	(47,559)	20,028,246
Change in net position					499,673	(57,504)	442,169
Net position as of July 1, 2016					13,951,895	577,471	14,529,366
Net position as of June 30, 2017					\$ 14,451,568	\$ 519,967	\$ 14,971,535

The accompanying notes are an integral part of these financial statements.

BELL COUNTY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS June 30, 2017

	General Fund	Special Revenue Funds	Construction Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 510,066	\$ 88,530	\$ 445,455	\$ -	\$ 1,044,051
Investments-Certificates of Deposit	411,833	-	-	-	411,833
Accounts receivable:					
Taxes	227,790	-	-	-	227,790
Other	120,690	-	-	-	120,690
Intergovernmental - State	9,455	-	-	-	9,455
Intergovernmental - Federal	-	115,451	-	-	115,451
Total assets	\$ 1,279,834	\$ 203,981	\$ 445,455	\$ -	\$ 1,929,270
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 104,211	\$ 4,000	\$ -	\$ -	\$ 108,211
Accrued expense	43	-	-	-	43
Unearned revenue	-	199,981	-	-	199,981
Total liabilities	104,254	203,981	-	-	308,235
Fund balances					
Non-spendable	-	-	-	-	-
Restricted	-	-	445,455	-	445,455
Assigned	16,078	-	-	-	16,078
Unassigned	1,159,502	-	-	-	1,159,502
Total fund balances	1,175,580	-	445,455	-	1,621,035
Total liabilities and fund balances	\$ 1,279,834	\$ 203,981	\$ 445,455	\$ -	\$ 1,929,270

The accompanying notes are an integral part of these financial statements.

BELL COUNTY SCHOOL DISTRICT

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION**

June 30, 2017

Total fund balances - governmental funds	\$ 1,621,035
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	51,172,367
Deferred outflows of resources are not recorded in the government fund financials because they do not affect current resources but are recorded in the statement of net position.	2,160,647
Bonds payable are not reported in the governmental fund balance sheet because they are not due and payable in the current period, but they are presented in the statement of net position.	(31,315,000)
Capital leases payable are not reported in the governmental fund balance sheet because they are not due and payable in the current period, but they are presented in the statement of net position.	(429,317)
The long term portion of accumulated sick leave is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	(245,757)
KSBIT assessment payable is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	(189,193)
Net pension obligation is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	(8,050,918)
Deferred inflows of resources are not recorded in the government fund financials because they do not affect current resources but are recorded in the statement of net position.	-
Interest payable is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	(272,296)
Total net position - governmental activities	<u>\$ 14,451,568</u>

BELL COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year ended June 30, 2017

	General Fund	Special Revenue Funds	Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
From local sources:					
Taxes					
Property	\$ 2,168,801	\$ -	\$ -	\$ 571,988	\$ 2,740,789
Motor vehicle	466,831	-	-	-	466,831
Utility	841,999	-	-	-	841,999
Other	80,626	-	-	-	80,626
Earnings on investments	61,109	-	-	-	61,109
Other local	453,549	1,060	-	-	454,609
Intergovernmental - State	18,552,263	1,011,172	-	2,225,367	21,788,802
Intergovernmental - Federal	62,776	3,161,323	-	-	3,224,099
Total revenues	22,687,954	4,173,555	-	2,797,355	29,658,864
Expenditures					
Current:					
Instruction	12,200,830	2,882,254	-	-	15,083,084
Student	1,027,308	67,046	-	-	1,094,354
Instructional support	1,076,256	867,647	-	-	1,943,903
District administration	1,196,998	-	-	-	1,196,998
School administration	1,444,636	-	-	-	1,444,636
Business support	489,679	44,307	-	-	533,986
Plant operations and maintenance	2,858,640	-	-	-	2,858,640
Student transportation	2,162,907	-	-	-	2,162,907
Community services	-	363,621	-	-	363,621
Building improvements	-	-	36,261	-	36,261
Debt service	112,765	-	-	2,648,576	2,761,341
Total expenditures	22,570,019	4,224,875	36,261	2,648,576	29,479,731
Excess (deficit) of revenues over (under) expenditures	117,935	(51,320)	(36,261)	148,779	179,133
Other financing sources (uses)					
Proceeds from sale of fixed assets	-	-	-	-	-
Proceeds from capital leases	-	-	-	-	-
Transfers in	513,961	314,819	-	2,030,115	2,858,895
Transfers out	(353,250)	(263,499)	-	(2,178,894)	(2,795,643)
Total other financing sources (uses)	160,711	51,320	-	(148,779)	63,252
Net change in fund balance	278,646	-	(36,261)	-	242,385
Fund balance as of June 30, 2016	896,934	-	481,716	-	1,378,650
Fund balance as of June 30, 2017	\$ 1,175,580	\$ -	\$ 445,455	\$ -	\$ 1,621,035

BELL COUNTY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES Year ended June 30, 2017

Net change in total fund balances - governmental funds	\$ 242,385
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are reported as expenditures in the governmental fund financial statements because they use current financial resources, but they are treated as assets in the statement of net position and depreciated over their estimated economic lives. The difference is the amount by which capital outlay exceeds depreciation expense for the year.	(763,573)
Amortization of deferred outflows or resources is not recognized in the governmental fund financial statements, but is a component of interest in the Statement of Activities.	(78,536)
Bond and capital lease payments are recognized as expenditures of current financial resources in the governmental fund financial statements, but are reductions of liabilities in the Statement of Net Position.	1,668,009
Interest payments are recognized as expenditures of current financial resources in the governmental fund financial statements, but are expensed as incurred in the Statement of Activities.	11,629
Calculated pension expense is not recognized on the governmental fund financial statements, but is recognized as an expense on the Statement of Activities. while pension contributions are deferred on the Statement of Net Position	(539,403)
Accumulated sick leave is recognized by the amount earned in the statement of activities, but the governmental fund financial statements only recognize the obligations anticipated to be retired from existing financial resources.	<u>(40,838)</u>
Change in net position - governmental activities	<u>\$ 499,673</u>

BELL COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION -
PROPRIETARY FUNDS
June 30, 2017

	Food Service Fund
ASSETS	
Current assets	
Cash and cash equivalents	\$ 549,884
Accounts receivable	26,858
Inventories	<u>10,480</u>
Total current assets	<u>587,222</u>
Noncurrent assets	
Capital assets	833,149
Less accumulated depreciation	<u>(636,250)</u>
Total noncurrent assets	<u>196,899</u>
Total assets	<u>784,121</u>
Deferred outflow of resources	
Deferred outflows from pensions	<u>76,706</u>
	<u>76,706</u>
LIABILITIES	
Current liabilities	
Accounts payable	<u>5,105</u>
Noncurrent liabilities	
Net pension liability	<u>335,755</u>
Total liabilities	<u>340,860</u>
Deferred inflow of resources	
Deferred inflows related to pension expense	<u>-</u>
NET POSITION	
Net investment in capital assets	196,899
Restricted for:	
Other	323,068
Unrestricted	<u>-</u>
Total net position	<u>\$ 519,967</u>

BELL COUNTY SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS
Year ended June 30, 2017**

	<u>Food Service Fund</u>
Operating revenues	
Lunchroom sales	\$ 147,926
Other	<u>40,752</u>
Total operating revenues	<u>188,678</u>
Operating expenses	
Salaries and wages	718,385
Employee benefits	586,554
Materials and supplies	1,177,425
Contract services	21,035
Depreciation	<u>1,862</u>
Total operating expenses	<u>2,505,261</u>
Operating loss	<u>(2,316,583)</u>
Nonoperating revenues	
Federal grants	1,906,961
State grants	309,283
Donated commodities	90,394
Earnings on investments	<u>15,693</u>
Total nonoperating revenues/(expenses)	<u>2,322,331</u>
Income before contributions, transfers, and special items	5,748
Transfer out	<u>(63,252)</u>
Change in net position	<u>(57,504)</u>
Net position as of June 30, 2016	<u>577,471</u>
Net position as of June 30, 2017	<u>\$ 519,967</u>

BELL COUNTY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
Year ended June 30, 2017

	Food Service Fund
Cash flows from operating activities	
Cash received from:	
Lunchroom sales	\$ 147,926
Other activities	36,903
Cash paid to/for:	
Employees	(1,115,196)
Supplies	(1,206,313)
Net cash used in operating activities	(2,136,680)
Cash flows from non-capital financing activities	
Grants received	2,216,244
Transfer from (to) general fund	(63,252)
Net cash used in non-capital financing activities	2,152,992
Cash flows from investing activities	
Purchase of fixed assets	(71,654)
Interest on investments	15,693
Net cash used in capital and related activities	(55,961)
Net increase in cash and cash equivalents	(39,649)
Cash and cash equivalents as of June 30, 2016	589,533
Cash and cash equivalents as of June 30, 2017	\$ 549,884
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:	
Operating income/ (loss)	\$ (2,316,583)
Adjustments to reconcile change in net position to net cash used in operating activities:	
Increase/decrease in accounts receivable	(3,849)
Increase/decrease in inventories	12,215
Increase/decrease in accounts payable	(26,108)
Net change in pension expense	105,389
Donated commodities	90,394
Depreciation	1,862
Net cash used in operating activities	\$ (2,136,680)
Schedule of non-cash transactions:	
Loss on disposal of assets	
Depreciation	1,862
Donated commodities	90,394
Total non-cash transactions	\$ 92,256

BELL COUNTY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION -
FIDUCIARY FUNDS
June 30, 2017

	Agency Funds	Total Fiduciary Funds
ASSETS		
Cash	\$ 219,358	\$ 219,358
Accounts receivable	-	-
Total assets	<u>219,358</u>	<u>219,358</u>
LIABILITIES		
Accounts payable	-	-
Due to student groups	<u>219,358</u>	<u>219,358</u>
Total liabilities	<u>219,358</u>	<u>219,358</u>
Total net position	<u>\$ -</u>	<u>\$ -</u>

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Bell County Board of Education ("Board"), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Bell 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" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and activities relevant to the operation of the Bell County Board of Education. The basic financial statements presented herein do not include funds of groups and organizations, which, although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc. Such funds or groups have been considered as prospective component units under GASB Statement Number 39, *Determining Whether Certain Organizations Are Component Units*, and have been determined to have insignificant assets, liabilities, equity, revenue and expenditures to be considered component units. In addition, the Board has the ability to exert little control over the fiscal activities of the funds or groups.

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

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

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

Basis of Presentation

District-wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental, which normally are supported by tax revenues, and those that are considered business-type activities, which rely significantly on fees and charges for support.

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basis of Presentation - continued

classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

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

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

The District has the following funds:

I. Government Fund Types

- (A) The General Fund is the main operating fund of the District. It accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable 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 the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.
- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
 - 2. The Facility Support Program of Kentucky (FSPK) 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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Presentation - continued

3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.
- (D) The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on general obligation notes payable, as required by Kentucky law.

II. Proprietary Fund Types (Enterprise Fund)

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

The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

III. Fiduciary Fund Type (Agency Funds)

- (A) The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the *Accounting Procedures for Kentucky School Activity Funds*.

Basis of Accounting

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

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

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

Unearned Revenue - Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue. The District reports unearned revenue on its statement of net position and governmental

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Accounting - continued

funds balance sheet. In both the district-wide and governmental fund statements, grants that are intended to finance future periods are reported as unearned revenue. In subsequent periods, the liability for unearned revenue is removed from the statement of net position and governmental funds balance sheet and revenue is recognized.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on flow of current financial resources. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid vacation and sick leave, which are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue.

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

Property Taxes

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

The property tax rates assessed for the year ended June 30, 2017, to finance the General Fund operations were \$.61 per \$100 valuation for real property, \$.61 per \$100 valuation for business personal property and \$.566 per \$100 valuation for motor vehicles.

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

Prepaid Assets

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

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital Assets- continued

District maintains a capitalization threshold of \$5,000. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

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

Interfund Receivables and Payables

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

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

The entire compensated absence liability includes the remaining 70% plus any accrued sick leave for people not eligible and is reported on the district-wide financial statements. For governmental fund financial statements, the amount of accumulated vacation and sick leave of employees has been recorded as an assigned portion of fund balance. The balance of the liability is not recorded.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Bonds and Related Premiums, Discounts, and Issuance Costs

In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premiums or discounts. Bond issuance costs are expensed when bonds are issued.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Discounts related to debt issuance are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Budgetary Process

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

- Revenues are recorded on the modified accrual basis of accounting (budgetary) as opposed to when susceptible to accrual (GAAP).
- Expenditures are recorded on the modified accrual basis of accounting (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved by the Board, it can be amended. Budgetary receipts represent original estimates modified for adjustments, if any, during the fiscal year. Budgetary disbursements represent original appropriations adjusted for budget transfers and additional appropriations, if any, approved during the fiscal year.

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

Cash and Cash Equivalents

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

Inventories

On district-wide and governmental fund financial statements inventories of supplies and materials are stated at cost and are expensed when used.

The school Food Service Fund inventory consists of food, supplies and U.S. Government commodities.

The Food Service Fund inventory is stated at cost and uses the specific identification method; and the General Fund inventory is stated at cost and uses the first-in, first-out method.

Accrued Liabilities and Long-Term Obligations

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accrued Liabilities and Long-Term Obligations - continued

However, claims and judgments, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Fund Balance Reserves

Fund balances are separated into five categories, as required by GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as follows:

Nonspendable fund balance is permanently nonspendable by decree of donor. Examples would be an endowment or that which may not be used for another purpose such as amounts used to prepay future expenses or already purchased inventory on hand.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment.

Assigned fund balances are those amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrance of funds. Assigned fund balance also includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

It is the Board's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board, or managerial obligations, using restricted funds first, followed by committed funds, assigned funds, then unassigned funds.

Encumbrances

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end, and outstanding encumbrances at year-end are reappropriated in the next year. Encumbrances are considered a managerial assignment of fund balance at June 30, 2017, in the governmental funds balance sheet.

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Net Position – continued

of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when limitations are imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses

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

Contributions of Capital

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

Interfund Activity

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

Deferred Inflows and Deferred Outflows of Resources

Deferred inflows and deferred outflows are recorded on the government-wide and proprietary financial statements. The deferred outflows of resources presented were primarily created by differences in pension expectations, the prior refunding of revenue bonds and deferral of pension contributions. Deferred inflows were primarily created by actuarial determinations of net pension liability changes.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, 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.

NOTE B – ESTIMATES

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

NOTE C - CUSTODIAL CREDIT RISK - DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2017, none of the District's bank balance was exposed to custodial credit risk because of coverage by Federal Depository insurance and by collateral agreements and collateral held by the pledging banks' trust departments in the District's name.

BELL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2017

NOTE C - CUSTODIAL CREDIT RISK – DEPOSITS - CONTINUED

Cash and cash equivalents at June 30, 2017 consisted of the following:

	<u>Bank Balance</u>	<u>Book Balance</u>
First State Financial	\$ 3,037,031	\$ 1,813,293
	<u>\$ 3,037,031</u>	<u>\$ 1,813,293</u>

Breakdown per financial statements is as follows:

Governmental funds	\$ 1,044,051
Proprietary funds	549,884
Agency funds	<u>219,358</u>
	<u>\$ 1,813,293</u>

NOTE D - INVESTMENT REPORTING UNDER GASB 72

Funds of the District are public funds and, therefore, their investment is limited by statute to certain obligations of the United States or similar government agencies, cash instruments, and certain pooled investment funds as provided by KRS 66.480. At June 30, 2017, the District holds only demand deposits and certificates of deposit considered to be cash equivalents. Consequently, the District does not have investment related credit risk or interest risk.

Investments reported on the financial statements are nonparticipating interest-earning investment contracts purchased from a bank in the form of a Certificate of Deposit. Therefore, under GASB Statement No 72, Fair Value Measurement & Application these types of investments are exempt from fair value measurements.

NOTE E - RECEIVABLES

The District recognizes revenues as receivables when they are measurable and receipt is probable. Concentration of credit risk with respect to the receivables from federal and state governments is limited due to the historical stability of those institutions. While the District receives revenues from many different sources throughout each year, accounts and grants receivable from outside sources may be grouped into the following categories (as stated in the District-wide financial statements):

	<u>June 30, 2016</u>
Accounts receivable from outside sources	
Taxes receivable	\$ 227,789
Other receivables	120,691
Grants receivable	<u>151,764</u>
	<u>\$ 500,244</u>

Federal and state grants to be used or expended as specified by the grantor are recognized as revenue and recorded as receivables as qualifying expenditures are made.

BELL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2017

NOTE F - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017 was as follows:

	June 30, 2016			June 30, 2017
	Balance	Additions	Retirements	Balance
Governmental Activities				
Land & Land Improvements	\$ 1,191,015	\$ -	\$ -	\$ 1,191,015
Buildings	45,091,378	-	-	45,091,378
Technology	2,493,920	-	-	2,493,920
Vehicles	3,897,756	77,533	-	3,975,289
General Equipment	989,392	-	-	989,392
Construction Work in Progress	20,078,574	36,261	-	20,114,835
Total historical cost	73,742,035	113,794	-	73,855,829
Less accumulated depreciation	21,806,095	877,367	-	22,683,462
Governmental capital assets, net	\$ 51,935,940	\$ (763,573)	\$ -	\$ 51,172,367
Business-type Activities				
Buildings	\$ -	\$ -	\$ -	\$ -
Technology	14,259	-	-	14,259
General Equipment	747,237	71,654	-	818,891
Total historical cost	761,496	71,654	-	833,150
Less accumulated depreciation	634,389	1,862	-	636,251
Business-type capital assets, net	\$ 127,107	\$ 69,792	\$ -	\$ 196,899

Depreciation expense for business-type activities was entirely incurred in the operation of the School Food Services. Depreciation for governmental activities was charged to governmental functions as follows:

Instruction	\$ 632,351
Student	1,892
Instruction staff	369
District administrative	5,277
School administrative	160
Plant operation and maintenance	100,611
Student transportation	136,707
	<u>\$ 877,367</u>

BELL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2017

NOTE G - CAPITAL LEASE PAYABLE

The District has entered into capital lease agreements for buses and energy improvements under which the buses will become the property of the District when all the terms of the lease agreement are met. The following schedule presents the capital lease activity for the year ended June 30, 2017:

Description	Maturity	Interest Rates	Original Issue	Balance June 30, 2016	Debt Issued	Debt Paid	Balance June 30, 2016	Due Within One Year
KISTA:								
2011	March, 2021	1.00 - 4.00%	243,875	120,250		24,500	95,750	25,125
2011	March, 2031	1.50 - 4.30%	133,990	113,990		5,000	108,990	5,000
2012	March, 2022	2.0% - 2.625%	174,917	102,786		17,209	85,577	17,546
2012	March, 2022	2.00% - 3.00%	158,000	143,000	-	4,000	139,000	4,000
				<u>\$ 710,782</u>	<u>\$ 480,026</u>	<u>\$ -</u>	<u>\$ 50,709</u>	<u>\$ 429,317</u>
								<u>\$ 51,671</u>

The following table presents a schedule by years of the future minimum lease payments under capital lease as of June 30, 2017:

Year	Principal	Interest	Total
2018	51,671	13,546	65,217
2019	53,824	12,195	66,019
2020	50,285	10,674	60,959
2021	48,413	9,144	57,557
2022-2026	166,134	19,895	186,029
2027-2031	49,545	7,304	56,849
2032	9,445	406	9,851
Totals	<u>\$ 429,317</u>	<u>\$ 73,164</u>	<u>\$ 502,481</u>

Less: amounts representing interest (73,164)

Net capital lease liability \$ 429,317

NOTE H - LONG-TERM OBLIGATIONS

The original amount of each issue, the issue date, and interest rates of bonded debt and lease obligations are summarized in the following table:

See table on next page

BELL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2017

NOTE H - LONG-TERM OBLIGATIONS - CONTINUED

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
2007	\$ 975,000	4.00%
2008	\$ 7,810,000	3.55%
2008	\$ 945,000	3.75% - 4.80%
2009	\$ 6,780,000	1.00% - 3.40%
2010	\$ 670,000	2.875% - 3.875%
2012	\$ 1,800,000	1.00% - 2.125%
2014	\$ 3,265,000	3.00% - 3.75%
2014	\$ 7,680,000	1.00% - 4.00%
2014	\$ 8,420,000	2.00 - 3.625%
2014	\$ 1,395,000	.55% - 3.625%

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

In 1987, the District entered into "participation agreements" with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission at June 30, 2017 for debt service (principal and interest) are as follows:

<u>Year</u>	<u>Bell County School District</u>		<u>Kentucky School Facility Construction Commission</u>		<u>Principal</u>	<u>Interest</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Total</u>
2017-18	1,159,353	879,783	465,647	152,816	1,625,000	1,032,599
2018-19	1,179,544	845,811	480,456	138,006	1,660,000	983,817
2019-20	1,223,976	810,461	496,024	122,437	1,720,000	932,898
2021-2025	6,583,806	3,482,165	1,791,194	411,848	8,375,000	3,894,013
2026-2030	7,820,045	2,348,018	1,199,955	117,354	9,020,000	2,465,372
2031-2035	8,792,201	838,692	122,799	9,903	8,915,000	848,595
	<u>\$ 26,758,925</u>	<u>\$ 9,204,930</u>	<u>\$ 4,556,075</u>	<u>\$ 952,364</u>	<u>\$ 31,315,000</u>	<u>\$ 10,157,294</u>

NOTE H - LONG-TERM OBLIGATIONS - CONTINUED

A summary of the changes in long-term liabilities during the fiscal year ended June 30, 2017 is as follows:

Governmental Activities	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2016
Bonded debt obligations	\$ 32,885,000	\$ -	\$ 1,570,000	\$ 31,315,000
Net Pension Liability	7,263,442	1,123,231	-	8,386,673
KISBIT Novation	236,493	-	47,300	189,193
Accrued sick leave	204,919	40,838	-	245,757
	<u>\$ 40,589,854</u>	<u>\$ 1,164,069</u>	<u>\$ 1,617,300</u>	<u>\$ 40,136,623</u>

NOTE I - RETIREMENT PLANS

The District's employees are provided with two pension plans, based on each position's college degree requirement as described below. The two pension plans are County Employees Retirement System (CERS) and the Kentucky Teachers Retirement System (KTRS).

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

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

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

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

NOTE I – RETIREMENT PLANS – CONTINUED

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.

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

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

Funding Policy – Funding for the plan is provided through payroll withholdings and matching District contributions. The District contributes 18.68% of the employee's total compensation subject to contribution.

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

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

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

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

Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used 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.

NOTE I – RETIREMENT PLANS – CONTINUED

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

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

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 16.105% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

Medical Insurance Plan

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

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to employees under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance.

Funding policy—In order to fund the post-retirement healthcare benefit, seven and one-half percent (7.50%) of the gross annual payroll of employees before July 1, 2008 is contributed. Three and three quarters percent (3.75%) is paid by member contributions and three quarters percent (.75%) from Commonwealth appropriation and three percent (3.0%) from the employer.

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

At June 30, 2017, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for KTRS because the Commonwealth of Kentucky provides the pension support directly to KTRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

NOTE I – RETIREMENT PLANS – CONTINUED

District's proportionate share of the CERS net pension liability	\$	8,386,673
Commonwealth's proportionate share of the KTRS net pension liability associated with the District		<u>103,394,338</u>
	\$	<u>111,781,011</u>

The net pension liability for each plan was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2016, the District's proportion was 0.17034%. For the year ended June 30, 2017, the District recognized pension expense of \$644,792 related to CERS.

For the year ended June 30, 2017, the District recognized pension expense of \$1,701,262 and revenue of \$1,701,262 for support provided by the State.

At June 30, 2017, 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
Differences between expected and actual experience	\$ 36,614	\$ -
Changes of assumptions	444,281	-
Net difference between projected and actual earnings on pension plan investments	788,433	-
Changes in proportion and differences between District contributions and proportionate share of contributions	80,938	-
District contributions subsequent to the measurement date	<u>567,394</u>	<u>-</u>
Total	<u>\$ 1,917,660</u>	<u>\$ -</u>

NOTE I – RETIREMENT PLANS – CONTINUED

\$567,394 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ 503,750
2017	\$ 347,681
2018	\$ 323,691
2019	\$ 175,144
	<u>\$ 1,350,266</u>

Actuarial assumptions—The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>CERS</u>	<u>KTRS</u>
Inflation	3.25%	3.50%
Projected salary increases	4.00%	4.0-8.2%
Investment rate of return, net of investment expense & inflation	7.50%	7.50%
Municipal bond index rate		3.01%
Single equivalent interest rate		4.20%

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

Discount rate—For CERS, the discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.50%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

For KTRS, the discount rate used to measure the total pension liability was 4.20%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan employees until the 2040 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2039 and a municipal bond index rate of 3.01% was applied to all periods of projected benefit payments after 2039. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

BELL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2017

NOTE I – RETIREMENT PLANS – CONTINUED

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	6.50%	7.50%	8.50%
District's proportionate share of net pension liability	\$ 10,451,425	\$ 8,386,673	\$ 6,617,175
KTRS	3.20%	4.20%	5.20%
District's proportionate share of net pension liability	\$ -	\$ -	\$ -

Pension plan fiduciary net position—Detailed information about the CERS and the KTRS pension plans' fiduciary net position, projected benefits, and projected funding status is available in the separately issued financial reports at <http://kyret.ky.gov> and <https://gov.state.ky.us>, respectively.

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

The District's total payroll for the year for employees covered under the pension plans was \$16,006,288. The payroll for employees covered under KTRS was \$11,938,534 and for CERS was \$4,067,754.

The contribution requirement for CERS for the year ended June 30, 2017, 2016 and 2015 was \$567,394, \$520,005 and \$675,171, respectively. The contribution requirement (both withholding and match) for KTRS for the year ended June 30, 2017, 2016 and 2015 was \$1,701,262, \$1,728,903, and \$1,885,680, respectively. The District met their contribution requirements.

NOTE J - DEFERRED COMPENSATION

The District offers its employees participation in a deferred compensation program administered by the Kentucky Public Employees' Deferred Compensation Authority. This program offers a plan authorized by Section 457(b) of the Internal Revenue Code and a plan authorized by Section 401(k) of the Internal Revenue Code. Both plans are available to all employees and permit them to defer up to 25% of their compensation (subject to limits) until future years. The District makes no contributions to these plans.

NOTE K –OPERATING LEASES

As of June 30, 2017, the District had not entered into any material operating lease agreements.

NOTE L - CONTINGENCIES

Grants - 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 funds advanced, or refuse to reimburse the District for its disbursements, and the collectability of any related receivables as of June 30, 2017 may be impaired. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

NOTE M - LITIGATION

The District is subject to legal actions in various states of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the financial statements as a result of the cases presently in progress.

NOTE N - RISK MANAGEMENT

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. Settled claims resulting from these risks have created a potential liability as discussed in Note I-*Contingencies*.

Contributions for workers' compensation coverage are based on premium rates established in conjunction with the insurance carrier, subject to claims experience modifications and discounts.

NOTE O - DEFICIT FUND BALANCES

The District did not have any funds with deficit balances, nor did it have any operating deficit balances at June 30, 2017.

NOTE P - COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency). There were no instances of noncompliance noted.

NOTE Q - TRANSFER OF FUNDS

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Operating	General	Special Revenue	KETS Transfer	\$ 51,320
Operating	Capital Outlay	General	COFT	\$ 84,099
Operating	Building	Debt Service	Debt Service	\$ 1,567,379
Operating	Capital Outlay	Debt Service	Debt Service	\$ 160,806
Operating	Building	General	COFT	\$ 366,610
Operating	General	Debt Service	Debt Service	\$ 301,930
Operating	Special Revenue	Special Revenue	Title IIA Transfer to Title I	\$ 263,499
Operating	Food Service	General	Indirect Cost	\$ 63,252

BELL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2017

NOTE R – INTERFUND RECEIVABLES AND PAYABLES

At June 30, 2017, there were no interfund balances outstanding that are reflected in the financial statements.

NOTE S – ON-BEHALF PAYMENTS

The District receives on-behalf payments for fringe benefits from the Commonwealth of Kentucky. These amounts are included in the fund financial statements.

For the year ended June 30, 2017, total payments of \$5,580,326 were made for life insurance, health insurance, KTRS matching and administrative fees, technology and debt service by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the statement of revenues, expenses and changes in fund balances. The benefit allocation per category was as follows:

Retirement contributions to the Teachers	
Retirement System of Kentucky	1,701,262
Health and Life Insurance	3,517,879
Other Less Federal	(333,131)
Technology	75,855
Debt Service	618,461
	<hr/>
Total	<u>\$ 5,580,326</u>

NOTE T - FUND BALANCE DESIGNATIONS

The following funds had restricted fund balances as follows:

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
Construction	\$ 445,455	Future Construction
Food Service	\$ 519,967	Food Service operations

The following funds had assigned fund balances as follows:

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
General	\$ 16,078	Purchase obligations

NOTE U – SUBSEQUENT EVENTS

Management of the District has evaluated subsequent events through November 15, 2017, which is the date the audit report will be available for release. No events have occurred subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

BELL COUNTY SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
Year ended June 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
From local sources				
Taxes:				
Property	\$ 2,019,292	\$ 2,019,292	\$ 2,168,801	\$ 149,509
Motor vehicle	447,620	447,620	466,831	19,211
Utility	855,917	855,917	841,999	(13,918)
Other	54,801	54,801	80,626	25,825
Earnings on investments	42,395	42,395	61,109	18,714
Other local	543,295	543,295	453,549	(89,746)
Intergovernmental - State	16,980,668	16,980,668	18,552,263	1,571,595
Intergovernmental - Federal	47,546	47,546	62,776	15,230
Total revenues	20,991,534	20,991,534	22,687,954	1,696,420
Expenditures				
Current:				
Instruction	11,271,789	11,271,789	12,200,830	(929,041)
Student	1,004,598	1,004,598	1,027,308	(22,710)
Instructional support	1,001,154	1,001,154	1,076,256	(75,102)
District administration	2,123,563	2,123,563	1,196,998	926,565
School administration	1,240,876	1,240,876	1,444,636	(203,760)
Business operations	538,376	538,376	489,679	48,697
Plant operations and maintenance	2,551,123	2,551,123	2,858,640	(307,517)
Student transportation	1,950,163	1,950,163	2,162,907	(212,744)
Community service	8,252	8,252	-	8,252
Debt service	112,765	112,765	112,765	-
Total expenditures	21,802,659	21,802,659	22,570,019	(767,360)
Excess (deficit) of revenues over (under) expenditures	(811,125)	(811,125)	117,935	929,060
Other financing sources (uses)				
Proceeds from sale of equipment	-	-	-	-
Proceeds from capital leases	-	-	-	-
Transfers in	326,155	326,155	513,961	187,806
Transfers out	(403,810)	(403,810)	(353,250)	50,560
Total other financing sources (uses)	(77,655)	(77,655)	160,711	238,366
Net change in fund balance	(888,780)	(888,780)	278,646	1,167,426
Fund balance as of June 30, 2016	896,934	896,934	896,934	-
Fund balance as of June 30, 2017	\$ 8,154	\$ 8,154	\$ 1,175,580	\$ 1,167,426

BELL COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - SPECIAL REVENUE FUND Year ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
From local sources:				
Other local	\$ 369,004	\$ 369,004	\$ 1,060	\$ (367,944)
Intergovernmental - State	2,385,683	2,385,683	1,011,172	(1,374,511)
Intergovernmental - Federal	7,517,903	7,517,903	3,161,323	(4,356,580)
Total revenues	<u>10,272,590</u>	<u>10,272,590</u>	<u>4,173,555</u>	<u>(6,099,035)</u>
Expenditures				
Current:				
Instruction	6,446,059	6,446,059	2,882,254	3,563,805
Student support services	242,923	242,923	67,046	175,877
Instructional support	2,690,372	2,690,372	867,647	1,822,725
District administration	-	-	-	-
Business support services	21,597	21,597	44,307	(22,710)
Plant operations & maintenance	-	-	-	-
Student transportation	45,081	45,081	-	45,081
Community service	742,773	742,773	363,621	379,152
Total expenditures	<u>10,188,805</u>	<u>10,188,805</u>	<u>4,224,875</u>	<u>5,963,930</u>
Deficit of revenues under expenditures	<u>83,785</u>	<u>83,785</u>	<u>(51,320)</u>	<u>135,105</u>
Other financing sources				
Operating transfers in	267,434	267,434	314,819	47,385
Operating transfers out	(254,294)	(254,294)	(263,499)	(9,205)
Total other financing sources	<u>13,140</u>	<u>13,140</u>	<u>51,320</u>	<u>38,180</u>
Net change in fund balance	<u>96,925</u>	<u>96,925</u>	<u>-</u>	<u>-</u>
Fund balance as of June 30, 2016	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance as of June 30, 2017	<u>\$ 96,925</u>	<u>\$ 96,925</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

BELL COUNTY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

BUDGET AND ACTUAL - GENERAL FUND AND SPECIAL REVENUE FUND

Year ended June 30, 2017

The District's budgetary process accounts for transactions on the modified accrual basis of accounting which is consistent with accounting principles generally accepted in the United States of America. In accordance with state law, the District prepares a general school budget based upon the amount of revenue to be raised by local taxation, including the rate of levy, and from estimates of other Local, State, and Federal revenues. The budget contains estimated expenditures for current expenses, debt service, capital outlay, and other necessary expenses. The budget must be approved by the Board. The District must formally and publicly examine estimated revenues and expenses for the subsequent fiscal year by January 31 of each calendar year. Additionally, the District must submit a certified budget to the Kentucky Department of Education by March 15 of each calendar year, which includes the amount for certified and classified staff, based on the District's staffing policy, and the amount for the instructional supplies, materials, travel and equipment. Additionally, the District must adopt a tentative working budget for the subsequent fiscal year by May 30 of each calendar year. The budget must contain a 2% reserve but not greater than 10%. Finally, the District must adopt a final working budget and submit it to the Kentucky Department of Education by September 30 of each calendar year. The Board has the ability to amend the working budget.

BELL COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM
Year ended June 30, 2017

	District's proportion of net pension liability (asset)	District's proportionate share of the net pension liability (asset)	District's covered-employee payroll	District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2017	0.17%	\$ 8,386,673	\$ 4,067,754	206.17%	55.50%
2016	0.17%	\$ 7,263,442	\$ 4,110,353	176.71%	59.97%
2015	0.17%	\$ 5,390,000	\$ 3,845,262	140.17%	66.80%

The amounts presented for each fiscal year were determined at 6/30

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

BELL COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
COUNTY EMPLOYEES RETIREMENT SYSTEM
Year ended June 30, 2017

	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	District's covered-employee payroll	Contributions as a percentage of covered-employee payroll
2017	\$ 759,779	\$ 759,779	\$ -	\$ 4,067,754	18.68%
2016	\$ 696,311	\$ 696,311	\$ -	\$ 4,110,353	16.94%
2015	\$ 698,672	\$ 698,672	\$ -	\$ 3,845,262	18.17%

The amount presented for each fiscal year was determined at 6/30.

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

BELL COUNTY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION COUNTY EMPLOYEES RETIREMENT SYSTEM - PENSION FUND Year ended June 30, 2017

Changes of Benefit Terms

None.

Changes of Assumptions

None

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).

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

The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

BELL COUNTY SCHOOL DISTRICT
 SCHEDULE OF THE STATE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 KENTUCKY TEACHERS' RETIREMENT SYSTEM
 Year ended June 30, 2017

	State's proportion of net pension liability (asset)	State's proportionate share of the net pension liability (asset)	Plan fiduciary net position as a percentage of the total pension liability
2017	100%	\$ 103,394,338	35.22%
2016	100%	\$ 83,597,163	42.49%
2015	100%	\$ 80,019,316	45.59%

The amounts presented for each fiscal year were determined at 6/30.

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

BELL COUNTY SCHOOL DISTRICT
SCHEDULE OF STATE CONTRIBUTIONS
KENTUCKY TEACHERS' RETIREMENT SYSTEM
Year ended June 30, 2017

	<u>Statutorily required contribution</u>	<u>Contributions in relation to the statutorily required contribution</u>	<u>Contribution deficiency (excess)</u>
2017	\$ 1,701,262	\$ 1,701,262	\$ -
2016	\$ 1,728,903	\$ 1,728,903	\$ -
2015	\$ 1,885,680	\$ 1,885,680	\$ -

The amounts presented for each year were determined at 6/30.

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

BELL COUNTY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION KENTUCKY TEACHERS RETIREMENT SYSTEM Year ended June 30, 2017

Changes of Benefit Terms

None.

Changes of Assumptions

In the 2001 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2011. In the 2011 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2011 valuation, the Board adopted an interest in smoothing methodology to calculate liabilities for purposes of determining the actuarially determined contributions.

Beginning with the 2014 valuation the interest smoothing methodology is no longer used.

BELL COUNTY SCHOOL DISTRICT

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2017

	SEEK Capital Outlay Fund	Facility Support Program (FSPK) Fund	Debt Service Fund	Total Non-major Governmental Funds
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-
Accounts Receivable	-	-	-	-
Total assets	\$ -	\$ -	\$ -	\$ -
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Fund Balances:				
Non-spendable	-	-	-	-
Restricted	-	-	-	-
Total liabilities fund balances	\$ -	\$ -	\$ -	\$ -

BELL COUNTY SCHOOL DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
Year ended June 30, 2017**

	SEEK Capital Outlay Fund	Facility Support Program (FSPK) Fund	Debt Service Fund	Total Non-major Governmental Funds
Revenues				
From local sources:				
Property taxes	\$ -	\$ 571,988	\$ -	\$ 571,988
Intergovernmental - State	<u>244,905</u>	<u>1,362,001</u>	<u>618,461</u>	<u>2,225,367</u>
Total revenues	<u>244,905</u>	<u>1,933,989</u>	<u>618,461</u>	<u>2,797,355</u>
Expenditures				
Debt service	<u>-</u>	<u>-</u>	<u>2,648,576</u>	<u>2,648,576</u>
Other financing sources (uses)				
Transfers in	-	-	2,030,115	2,030,115
Transfers out	<u>(244,905)</u>	<u>(1,933,989)</u>	<u>-</u>	<u>(2,178,894)</u>
Total other financing sources (uses)	<u>(244,905)</u>	<u>(1,933,989)</u>	<u>2,030,115</u>	<u>(148,779)</u>
Net change in fund balance	-	-	-	-
Fund balance as of June 30, 2016	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance as of June 30, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

BELL COUNTY SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - ELEMENTARY AND MIDDLE SCHOOL ACTIVITY FUNDS
Year Ended June 30, 2017

<u>School/ Activity Fund</u>	<u>Balances</u> <u>June 30, 2016</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Cash</u> <u>Equivalents</u> <u>June 30, 2017</u>	<u>Accounts</u> <u>Receivable</u> <u>June 30, 2017</u>	<u>Accounts</u> <u>Payable</u> <u>June 30, 2017</u>	<u>Balances</u> <u>June 30, 2017</u>
Bell Central Elementary School	\$ 33,014	\$ 134,473	\$ 138,317	\$ 29,170	\$ -	\$ -	\$ 29,170
Frakes Elementary School	36,018	26,299	34,710	27,607	-	-	27,607
Lone Jack Elementary School	35,077	41,311	42,518	33,870	-	-	33,870
Page School Center	9,554	92,706	86,350	15,910	-	-	15,910
Right Fork Elementary	7,394	65,197	68,973	3,618	-	-	3,618
Yellow Creek Elementary	9,387	127,031	126,917	9,501	-	-	9,501
Totals	<u>\$ 130,444</u>	<u>\$ 487,017</u>	<u>\$ 497,785</u>	<u>\$ 119,676</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 119,676</u>

BELL COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BELL COUNTY HIGH SCHOOL ACTIVITY FUND
Year ended June 30, 2017

	Balances June 30, 2016	Receipts	Disbursements	Transfers in (out)	Cash and cash equivalents	Accounts Receivable June 30, 2017	Accounts Payable June 30, 2017	Balances June 30, 2017
Vendor Commissions	\$ 430	\$ 13,049	\$ 13,521	\$ 2,591	\$ 2,549	\$ -	\$ -	\$ 2,549
Pic-Pac Card	-	165	3,000	2,835	-	-	-	-
AFJROTC	11,249	18,216	25,268	(11)	4,186	-	-	4,186
Kitty Hawk	980	1,483	466	-	1,997	-	-	1,997
Instructional	130	419	2,121	2,311	739	-	-	739
MSD	174	-	179	5	-	-	-	-
Teachers Lounge	431	2,664	2,408	-	687	-	-	687
Foundation for Exce	1,509	-	1,509	-	-	-	-	-
PROM	-	8,425	7,359	(510)	556	-	-	556
Jags	363	-	-	(363)	-	-	-	-
FBLA Club	393	-	-	-	393	-	-	393
FCCLA	858	6,228	6,386	-	700	-	-	700
Student Council	5,062	2,819	2,237	(1,300)	4,344	-	-	4,344
Drama Club	809	968	1,437	-	340	-	-	340
Football	19,922	13,388	22,507	1,250	12,053	-	-	12,053
Football Boosters	2,193	25,879	24,741	(469)	2,862	-	-	2,862
Boys Basketball	-	10,909	13,278	2,369	-	-	-	-
Hoops Boosters	-	16,620	13,128	(1,059)	2,433	-	-	2,433
Little League Basketball	-	8,767	7,668	(1,050)	49	-	-	49
District Program Ads	-	-	-	-	-	-	-	-
Sports General	10,586	14,553	7,687	(2,831)	14,621	-	-	14,621
Girls Boosters	445	12,099	12,676	1,333	1,201	-	-	1,201
Girls Basketball	-	7,163	13,797	6,634	-	-	-	-
Cheerleaders	3,483	29,198	27,484	(266)	4,931	-	-	4,931
Dance Team	273	-	-	(273)	-	-	-	-
Athletics	5,756	10,762	4,115	(8,574)	3,829	-	-	3,829
Basketball Encyclo	-	-	-	-	-	-	-	-
MS Football Boosters	3,877	6,244	8,228	(114)	1,779	-	-	1,779
MS Football Playoff	-	-	-	-	-	-	-	-
Agribus-FFA	4,401	7,571	5,855	560	6,677	-	-	6,677
Beta Club	1,064	303	485	-	882	-	-	882
National Honor Society	-	135	519	385	1	-	-	1
Academic Team	5	282	320	33	-	-	-	-
Science Olympiad	954	5,751	5,990	(8)	707	-	-	707

Continued on next page

BELL COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BELL COUNTY HIGH SCHOOL ACTIVITY FUND
Year ended June 30, 2017

	Balances June 30, 2016	Receipts	Disbursements	Transfers in (out)	Cash and cash equivalents	Accounts Receivable June 30, 2017	Accounts Payable June 30, 2017	Balances June 30, 2017
Band	618	-	706	87	(1)	-	-	(1)
Choir	-	3,906	1,369	(2,490)	47	-	-	47
Tri-M Music Honors	105	202	262	-	45	-	-	45
Yes, Virginia Musical	-	-	-	-	-	-	-	-
Annual	285	1,290	1,481	-	94	-	-	94
Baseball	965	2,055	2,129	(175)	716	-	-	716
MS Baseball	311	3,516	2,796	(184)	847	-	-	847
MS Baseball Food Ac	-	-	-	-	-	-	-	-
Baseball Boosters	3,524	12,787	7,960	(682)	7,669	-	-	7,669
District Softball	-	1,774	1,385	(134)	255	-	-	255
Fastpitch Softball	-	-	-	-	-	-	-	-
MS Softball	825	4,343	4,948	-	220	-	-	220
MS Softball Food Ac	-	-	-	-	-	-	-	-
District Baseball To	-	-	-	-	-	-	-	-
Softball Boosters	966	1,533	1,076	-	1,423	-	-	1,423
Tennis	266	-	50	-	216	-	-	216
Track	-	214	670	456	-	-	-	-
Track Boosters	-	337	-	(158)	179	-	-	179
Cross Country	-	22	875	853	-	-	-	-
Cross Ctry Boosters	296	4,908	5,108	-	96	-	-	96
Golf	-	1	561	560	-	-	-	-
Volleyball	55	1,398	1,175	(175)	103	-	-	103
Volleyball Boosters	161	682	598	-	245	-	-	245
Guidance Office	1,623	6,501	5,793	(1,728)	603	-	-	603
Soccer	-	1,475	740	(175)	560	-	-	560
Girls Soccer Tournament	-	1,260	1,093	(148)	19	-	-	19
Soccer Boosters	107	3,758	3,295	(8)	562	-	-	562
Boys Soccer Tournament	-	-	148	148	-	-	-	-
Pictures	-	5,463	1,409	25	4,079	-	-	4,079
Seniors	1,813	57,850	57,659	240	2,244	-	-	2,244
Reserve Funds	1,050	1,143	2,589	396	-	-	-	-
Link Crew	550	-	328	(75)	147	-	-	147
Gear Up	200	4,281	5,076	596	1	-	-	1
Project Graduation	1,027	35,241	34,058	859	3,069	-	-	3,069
Youth Service Center	1,930	3,178	1,951	(171)	2,986	-	-	2,986
Angel Tree	1,897	1,042	1,811	-	1,128	-	-	1,128
YSC/BOE Purchases	-	4,960	3,456	(1,395)	109	-	-	109
Key Club	437	-	-	-	437	-	-	437
Charitable Gaming	3,068	-	-	-	3,068	-	-	3,068
Total accounts	\$ 97,426	\$ 389,180	\$ 386,924	\$ -	\$ 99,682	\$ -	\$ -	\$ 99,682

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

BELL COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2017

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
Expenditures			
<u>U.S. Department of Education</u>			
Passed through the Kentucky Department of Education:			
Title I Grants to Local Educational Agencies	84.010	3210002 17	1,740,588
Title I Grants to Local Educational Agencies	84.010	3210002 16	20,136
			<u>1,760,724</u>
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	3160002 17	301,563
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	3160002 16	54,831
			<u>356,394</u>
<i>Special Education Cluster (IDEA)</i>			
Special Education--Grants to States	84.027	3810002 17	644,786
Special Education--Grants to States	84.027	3810002 16	2,688
			<u>647,474</u>
Special Education--Preschool Grants	84.173	3800002 17	20,107
			<u>20,107</u>
<i>Total Special Education Cluster</i>			<u>667,581</u>
Career and Technical Education--Basic Grants to States	84.048	4621032 17	13,900
Career and Technical Education--Basic Grants to States	84.048	4621132 16	402
			<u>14,302</u>
Rural Education	84.358	3140002 17	52,592
			<u>52,592</u>
Supporting Effective Instruction State Grant	84.367	3230002 17	263,499
Total U.S. Department of Education			<u>3,115,092</u>
<u>U.S. Department of Defense</u>			
Direct Program			
ROTC	12.000	504C	44,732
Total U.S. Department of Defense			<u>44,732</u>
<u>U.S. Department of Commerce</u>			
Passed through Eastern Kentucky Pride			
Congressionally Identified Awards and Projects	11.469	270C	1,500
Total U.S. Department of Commerce			<u>1,500</u>

BELL COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
 Year ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed through the Kentucky Department of Education			
<i>Child Nutrition Cluster</i>			
National School Lunch Program	10.555	7750002 17	893,560
National School Lunch Program	10.555	7750002 16	262,732
School Breakfast Program	10.553	7760005 17	484,329
School Breakfast Program	10.553	7760005 16	147,794
Summer Food Service Program for Children	10.559	7760005 17	43,860
National School Lunch Program	10.555	77500002 17	90,394
<i>Total Child Nutrition Cluster</i>			<u>1,922,669</u>
Fresh Fruit and Vegetable Program	10.582	7720012 17	54,509
Child and Adult Care Food Program	10.558	510-4500	20,176
Total U.S. Department of Agriculture			<u><u>1,997,354</u></u>
Total federal expenditures			<u><u>\$ 5,158,678</u></u>

BELL COUNTY SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2017

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the Bell County School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Because this 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 – IN-KIND COMMODITIES

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. The District no longer maintains a separate commodities inventory due to changes in program regulations. Commodities are included under the Child Nutrition Cluster. The valued amount of commodities received for June 30, 2017 is \$90,394.

NOTE C – CLUSTER PROGRAMS

The following CFDA numbers are considered cluster programs:

Special Education Cluster	
Special Education Grants to States	84.027
Special Education – Preschool Grants	84.173
Child Nutrition Cluster	
National School Lunch Program	10.555
National School Breakfast Program	10.553
Special Milk Program for Children	10.556
Summer Food Services for Children	10.559
WIA Cluster	
WIA Adult Program	17.258
WIA Youth Activities	17.259
WIA Dislocated Worker Formula Grants	17.278

NOTE D – INDIRECT COST RATE

The District has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.



Cloyd & Associates, PSC
Certified Public Accountants

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

Independent Auditor's Report

Kentucky State Committee for
School District Audits
Members of the Board of Education
Bell County School District
Pineville, Kentucky

We have audited, in accordance with the 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 the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Appendix I to the Independent Auditor's Contract-General Audit Requirements* and *Appendix II to the Independent Auditor's Contract-State Audit Requirements*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Bell County School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Bell County School District's basic financial statements, and have issued our report thereon dated November 15, 2017.

Internal Control over Financial Reporting

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

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

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

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Cloyd & Associates, PSC
Certified Public Accountants

Compliance and Other Matters

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

We noted other matters involving the internal control over financial reporting that we have reported to the management of Bell County School District in a separate letter dated November 15, 2017.

Purpose of this Report

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

Cloyd & Associates, PSC

Cloyd & Associates, PSC
London, Kentucky
November 15, 2017



Cloyd & Associates, PSC
Certified Public Accountants

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Independent Auditor's Report

Kentucky State Committee for
School District Audits
Members of the Board of Education
Bell County School District
Pineville, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Bell County School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of Bell County School District's major federal programs for the year ended June 30, 2017. The Bell County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

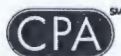
Opinion on Each Major Federal Program

In our opinion, Bell County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

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Report on Internal Control over Compliance

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

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

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

Purpose of this Report

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

Cloyd & Associates, PSC

Cloyd & Associates, PSC
London, Kentucky
November 15, 2017



SCHEDULE OF FINDINGS AND QUESTIONED COSTS

BELL COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – MAJOR PROGRAMS
Year Ended June 30, 2017

Section I – Summary of Auditor's Results

Financial Statements

Type of auditors' report issued		Unmodified	
Internal control over financial reporting:			
Material weakness identified	_____	Yes	<u>✓</u> No
Significant deficiencies identified that are not considered to be material weaknesses	_____	Yes	<u>✓</u> None reported
Noncompliance material to financial statement noted	_____	Yes	<u>✓</u> No

Federal Awards

Internal control over major programs:			
Material weaknesses identified	_____	Yes	<u>✓</u> No
Significant deficiencies identified that are not considered to be material weaknesses	_____	Yes	<u>✓</u> None reported
Type of auditors' report issued on compliance for major programs		Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	_____	Yes	<u>✓</u> No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
-------------------------------------------	--------------------

Child Nutrition Cluster	
National School Lunch Program	10.555
National School Breakfast Program	10.553
Special Milk Program for Children	10.556
Summer Food Services for Children	10.559

Gaining Early Awareness and Readiness for Undergraduate Programs	84.334
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Dollar threshold used to distinguish between Type A and Type B program	\$750,000
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Auditee qualified as low risk	_____	Yes	<u>✓</u>	No
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(continued)

BELL COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – MAJOR PROGRAMS - CONTINUED
Year Ended June 30, 2017

Section II – Financial Statement Findings

None

Section III – Federal Award Findings

None

BELL COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2017

Status of Prior Year Findings

There were no prior year audit findings.

MANAGEMENT LETTER COMMENTS



Cloyd & Associates, PSC
Certified Public Accountants

Members of the Board of Education
Bell County School District
Pineville, Kentucky

In planning and performing our audit of the basic financial statements of Bell County School District for the year ended June 30, 2017, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on the internal control structure.

During our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters, if any. This letter does not affect our report thereon dated November 15, 2017, on the basic financial statements of Bell County School District.

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

Respectfully,

Cloyd & Associates, PSC

Cloyd & Associates, PSC
London, Kentucky
November 15, 2017

BELL COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
June 30, 2017

Prior Year Comments – School Activity Funds

Right Fork School Center

1. Instances were noted where invoices were not paid within 30 days as per Redbook guidelines.

This deficiency was corrected in the current year.

Lone Jack School Center

2. Instances were noted of monies spent on staff and faculty (i.e. P.O. Box fees, postage, and office supplies) being paid out of the General Fund activity fund account, or an account other than a faculty/staff revenue generating activity fund account. Monies generated by the staff/faculty are put into a separate activity account identified as being for the staff/faculty. This allows easy accountability of revenue and expenditure tracking. Only vending machine revenues located in an area that students do not have access to are authorized to be receipted into the faculty/staff activity fund account. Only monies in this account can be used for faculty/staff activities.

This deficiency was corrected in the current year.

3. Instances were noted where copies of deposits tickets were not maintained.

This deficiency was corrected in the current year.

Bell Central School Center

4. Purchase orders are being utilized, however there were several instances of purchase orders being approved after the obligation or funds or purchase being made. The person requesting to make a purchase or expend activity funds will prepare a purchase request/order (F-SA-7) and have it approved by the sponsor and principal. After proper approval, the purchase order number should be issued or an (EPES) purchase order generated so the expenditure can be purchased or ordered.

This deficiency was corrected in the current year.

Frakes School Center

5. Purchase orders are being utilized, however there were several instances of purchase orders being approved after the obligation or funds or purchase being made. The person requesting to make a purchase or expend activity funds will prepare a purchase request/order (F-SA-7) and have it approved by the sponsor and principal. After proper approval, the purchase order number should be issued or an (EPES) purchase order generated so the expenditure can be purchased or ordered.

This deficiency was not corrected in the current year.

Prior Year Comments – School Activity Funds - CONTINUED

6. The principal is not consistently signed and dating the bank statement.

This deficiency was not corrected in the current year.

Page School Center

7. Instances were noted of monies spent on staff and faculty (i.e. breakfast for staff and stamps) being paid out of the General Fund activity fund account or an account other than a faculty/staff revenue generating activity fund account. The school should ensure that monies generated by the staff/faculty are put into a separate activity account identified as being for the staff/faculty. This allows easy accountability of revenue and expenditure tracking. Only vending machine revenues located in an area that students do not have access to are authorized to be receipted into the faculty/staff activity fund account. Only monies in this account can be used for faculty/staff activities.

This deficiency was corrected in the current year.

8. Purchase orders are being utilized, however there were several instances of purchase orders being approved after the obligation or funds or purchase being made. The person requesting to make a purchase or expend activity funds will prepare a purchase request/order (F-SA-7) and have it approved by the sponsor and principal. After proper approval, the purchase order number should be issued or an (EPES) purchase order generated so the expenditure can be purchased or ordered.

This deficiency was corrected in the current year.

Bell County High School

9. Purchase orders are being utilized, however there were several instances of purchase orders being approved after the obligation or funds or purchase being made. The person requesting to make a purchase or expend activity funds will prepare a purchase request/order (F-SA-7) and have it approved by the sponsor and principal. After proper approval, the purchase order number should be issued or an (EPES) purchase order generated so the expenditure can be purchased or ordered.

This deficiency was not corrected in the current year.

10. Instances were noted where copies of deposits tickets were not maintained.

This deficiency was corrected in the current year.

Bell County High School Charitable Gaming

11. Instances were noted of disbursements being made without proper supporting documentation (no original invoice or standard invoice). Before any payments can be processed, an original invoice or original receipt must be present. If the original invoice/receipt is not available, then a standard invoice (F-SA-8) should be completed and signed by the principal before payment can be processed; this must also have the payee's signature.

This deficiency was corrected in the current year.

Current Year Comments – School Activity Funds

Frakes

1. Purchase orders are being utilized, however there were several instances of purchase orders being approved after the obligation of funds or purchase being made. The person requesting to make a purchase or expend activity funds will prepare a purchase request/order (F-SA-7) and have it approved by the sponsor and principal. After proper approval, a purchase order number shall be issued or an (EPES) purchase order generated so the expenditure can be purchased or ordered. This finding was not corrected in the prior year.

Management Response: Red book training will be conducted for the school in question. District administration will conduct on site reviews on a monthly basis.

2. Principal did not consistently sign and date bank statements. This finding was not corrected in prior year.

Management Response: Principal will be instructed in the importance of signing bank statements. Will be inspected on a monthly basis.

Bell County High School

3. Purchase orders are being utilized, however there were several instances of purchase orders being approved after the obligation of funds or purchase being made. The person requesting to make a purchase or expend activity funds will prepare a purchase request/order (F-SA-7) and have it approved by the sponsor and principal. After proper approval, the purchase order number should be issued or an (EPES) purchase order generated so the expenditure can be purchased or ordered. This finding was not corrected in the prior year.

Management Response: This will be reviewed on a monthly basis. Redbook training will be provided.