

ALLEN COUNTY SCHOOL DISTRICT

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YEAR ENDED JUNE 30, 2013

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Allen County School District
Scottsville, 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 Allen County Board of Education, Kentucky, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Allen County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I of the Independent Auditor's Contract – General Audit Requirements*, *Appendix II of the Independent Auditor's Contract – State Audit Requirements*, *Appendix III of the Independent Auditor's Contract – Audit Extension Request* and *Appendix IV of the Independent Auditor's Contract – Instructions for Submission of the Audit Report*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate

discretely presented component units, each major fund, and the aggregate remaining fund information of the Allen County Board of Education, Kentucky, as of June 30, 2013, 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 State of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 34 through 35 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 Allen County Board of Education's basic financial statements.

The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The statements of changes in assets and liabilities – school activity funds 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 the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

These statements and schedule are management's responsibility, and derive from and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. We subjected these statements and schedules to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling schedules directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, these statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued a report dated November 4, 2013, on our consideration of Allen 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 the internal control over financial reporting or on compliance. That report is an intregal part of an audit performed in accordance with *Government Auditing Standards* in considering Allen County School District's internal control over financial reporting and compliance.


GOODMAN & COMPANY, P.S.C.
Certified Public Accountants
Louisville, Kentucky
November 4, 2013

discretely presented component units, each major fund, and the aggregate remaining fund information of the Allen County Board of Education, Kentucky, as of June 30, 2013, 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

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GOODMAN & COMPANY, P.S.C.
Certified Public Accountants
Louisville, Kentucky
November 4, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

**ALLEN COUNTY SCHOOL DISTRICT – SCOTTSVILLE KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2013**

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

FINANCIAL HIGHLIGHTS

- The district maintains 7 schools and education centers, serving approximately 3,000 students. An effort to centralize our schools has provided educational benefits in addition to good physical management. We have a campus of approximately 200 acres of which there is still land available for future construction to meet our long-range educational needs. Allen County is very proud of our facilities and our ability to maintain them; nevertheless, our main purpose is educating kids and providing quality instructional resources and staff which we are able to do with our general fund dollars.
- The beginning fund balance for the District was \$7.8 Million.
- The District continues to be concerned about the drain on the General Fund. Concerted efforts were made to curb the declining balance by continuing to provide additional monies into the general fund from local tax revenues.
- The Superintendent and Finance department working in conjunction with other district leadership continues the refinement of the structure of the business and operations areas, while evaluating processes and allocation of resources.
- The Superintendent and Finance department worked with staff to review and implement sound fiscal practices in utilizing school funding.
- A concerted effort was focused on purchasing in the areas of supplies, food, and travel resulting in several economies due to changed management strategies. The District utilizes multi-district cooperative bidding through the Green River Regional Educational Cooperative, Kentucky Educational Development Corporation, as well as, taking advantage of state and federal bidding opportunities for purchasing of supplies and food.
- Local Revenue is divided 65%/35% between the general fund and the building fund respectively. We have no occupational, utility or excise taxes.
- Excluding inter-fund transfers, the General Fund had \$20.1 million revenue, which primarily consisted of the state program SEEK (Support Educational Excellence in Kentucky), and local property and motor vehicle taxes. There was \$20.2 million in General Fund expenditures.
- The District continues to evaluate policies & procedures dealing with fixed assets and GASB reporting to ensure correct inventories, values, and depreciation to correctly report on the Annual Financial Report.
- Allen County-Scottsville High School renovations near the end as all major areas of the school are almost at completion. This includes all classrooms, cafeteria, restrooms, gym & auditorium. Also, ground was broke for the new Allen County Career & Technical Center as work continues on the building site. Anticipated completion for this new construction project is December, 2014.
- Because the state has allowed flexible use of Capital Outlay Funds, previously limited to debt service reduction, the District was able to complete several projects that the General Fund could not handle financially. Projects included: payment of property, liability, fleet, worker's compensation insurances and various maintenance projects within the district.

**ALLEN COUNTY SCHOOL DISTRICT – SCOTTSVILLE KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2013**

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

The government-wide financial statements can be found on pages 9 through 10 of this report.

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

The basic governmental fund financial statements can be found on pages 11 through 18 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-33 of this report.

**ALLEN COUNTY SCHOOL DISTRICT – SCOTTSVILLE KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A) CONTINUED**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets exceeded liabilities by \$30.5 million as of June 30, 2013.

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

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

NET POSITION

A summary of the net position for 2013 and 2012 are as follows:

	2013			2012		
	Governmental Activities	Business Type Activities	Total	Governmental Activities	Business Type Activities	Total
Current Assets	\$ 7,149,499	\$ 535,556	\$ 7,685,055	\$ 8,877,527	\$ 600,271	\$ 9,477,798
Noncurrent Assets	<u>54,227,463</u>	<u>741,089</u>	<u>54,968,552</u>	<u>52,779,249</u>	<u>436,358</u>	<u>52,215,607</u>
Total Assets	\$ 61,376,962	\$ 1,276,645	\$ 62,653,607	\$ 60,656,776	\$ 1,036,629	\$ 61,693,405
Current Liabilities	\$ 3,657,604	\$ 148	\$ 3,657,752	\$ 3,690,802	\$ 1,000	\$ 3,691,802
Noncurrent Liabilities	<u>28,205,967</u>	<u>-</u>	<u>28,205,967</u>	<u>29,461,957</u>	<u>-</u>	<u>29,461,957</u>
Total Liabilities	\$ 31,863,571	\$ 148	\$ 31,863,719	\$ 33,152,759	\$ 1,000	\$ 33,153,759
Net position						
Invested in Capital Assets, Net of Related Debt	\$ 23,642,106	\$ 441,089	\$ 24,083,195	\$ 30,371,776	\$ 436,358	\$ 30,808,134
Restricted	4,299,993	-	4,299,993	6,224,724	-	6,224,724
Committed	237,891	-	237,891	229,670	-	229,670
Unrestricted Fund Balance	<u>1,333,401</u>	<u>535,408</u>	<u>1,868,809</u>	<u>(9,322,153)</u>	<u>599,271</u>	<u>(8,722,882)</u>
Total Net position	<u>\$ 29,513,391</u>	<u>\$ 976,497</u>	<u>\$ 30,489,888</u>	<u>\$ 27,504,017</u>	<u>\$ 1,035,629</u>	<u>\$ 28,539,646</u>

**ALLEN COUNTY SCHOOL DISTRICT – SCOTTSVILLE KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A) CONTINUED**

NET POSITION CONTINUED

Comments on Budget Comparisons

- The District’s total revenues for the fiscal year ended June 30, 2013, net of interfund transfers, were \$29.5 million.
- General fund revenue was \$20.2 million or \$4.0 million higher than budget primarily due to state on-behalf payments.
- The total cost of all programs and services for the General Fund was \$20.2 million or \$2.0 million higher than budget.

The following table presents a summary of revenue and expense for the fiscal year ended June 30, 2013 and June 30, 2012.

	2013			2012		
	Government Activities	Business Type Activities	Total	Governmental Activities	Business Type Activities	Total
Program Revenues:						
Charges for services	\$ 41,960	504,729	\$ 546,689	\$ 215,169	\$ 545,444	\$ 760,613
Operating grants	3,418,189	1,411,385	4,829,574	3,956,482	1,369,692	5,326,174
Capital grants	1,020,425	-	1,020,425	1,020,427	-	1,020,427
General Revenues:						
Taxes	5,303,577	-	5,303,577	4,837,001	-	4,837,001
State aid formula grant	17,560,183	-	17,560,183	17,190,541	-	17,190,541
Investment earnings	49,709	3,461	53,170	70,997	4,890	75,887
Local revenues	-	-	-	145,644	-	145,644
Miscellaneous	167,403	-	167,403	57,830	-	57,830
Total Program Revenues	\$27,561,446	\$1,919,575	\$29,481,021	\$ 27,494,091	\$ 1,920,026	\$ 29,414,117
Transfers	70,271	(70,271)	-	69,790	(69,790)	-
Total Revenues	\$27,631,717	\$1,849,304	\$29,481,021	\$ 27,563,881	\$ 1,850,236	\$ 29,414,117
Program Expenses:						
Instruction	\$ 15,494,789	-	\$ 15,494,789	\$ 15,843,861	\$ -	\$ 15,843,861
Student support	965,860	-	965,860	971,456	-	971,456
Instruction staff	1,102,922	-	1,102,922	1,213,831	-	1,213,831
District administration	670,880	-	670,880	627,365	-	627,365
School administration	1,378,704	-	1,378,704	1,460,213	-	1,460,213
Business support	532,609	-	532,609	478,001	-	478,001
Plant operations	2,305,674	-	2,305,674	2,397,325	-	2,397,325
Student transportation	1,716,001	-	1,716,001	1,887,008	-	1,887,008
Community Support	241,556	-	241,556	229,843	-	229,843
Interest on long-term debt	1,213,348	-	1,213,348	1,159,755	-	1,159,755
Food service	-	1,908,436	1,908,436	-	2,023,705	2,023,705
Total Expenses	\$ 25,622,343	\$1,908,436	\$ 27,530,779	\$ 26,268,658	\$ 2,023,705	\$ 28,292,363
Net (Decrease)/Increase in Net position	\$ 2,009,374	\$ (59,132)	\$ 1,950,242	\$ 1,295,223	\$ (173,469)	\$ 1,121,754

**ALLEN COUNTY SCHOOL DISTRICT – SCOTTSVILLE KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A) CONTINUED**

Governmental Activities

Instruction comprises 60% of governmental program expenses in 2013 and 2012. Support services expenses make up 35% of government expenses in both 2013 and 2012. The remaining expense for interest accounts for 5% of total government expense for both 2013 and 2012.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

	<u>2013 Governmental Activities</u>		<u>2012 Governmental Activities</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction	\$ 15,494,789	\$ 12,506,687	\$ 15,843,861	\$ 12,283,768
Support	8,914,206	8,442,159	9,265,042	8,653,484
Interest on long-term debt	<u>1,213,348</u>	<u>192,923</u>	<u>1,159,755</u>	<u>139,328</u>
Total Expenses	<u>\$ 25,622,343</u>	<u>\$ 21,141,769</u>	<u>\$ 26,268,658</u>	<u>\$ 21,076,580</u>

Business-Type Activities

The business-type activities include the food service operation. This program had total revenues of \$1,919,575 and expenses of \$1,908,436 for fiscal year 2013. Of the revenues, \$504,729 was charges for services, \$1,411,385 was from State and Federal grants, and \$3,461 was from investment earnings. Business activities receive no support from local tax revenues.

Capital Assets

At the end of fiscal year 2013 the School District had \$53.9 million invested in land, buildings, equipment, and construction in progress. The following table shows fiscal year 2013 and 2012 balances:

Capital Assets at June 30, 2013 and 2012
(Net of Depreciation)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	\$ 1,001,750	\$ 1,001,750	\$ -	\$ -	\$ 1,001,750	\$ 1,001,750
Land Improvements	2,794,421	2,984,795	7,510	7,994	2,801,931	2,992,789
Building & Improvements	30,009,036	30,887,983	260,893	266,648	30,269,929	31,154,631
Technology	542,363	696,272	5,256	7,008	547,619	703,280
Vehicles	484,185	625,972	-	-	484,185	625,972
Equipment	114,435	126,132	167,430	154,708	281,865	280,840
Construction in Progress	<u>18,912,061</u>	<u>15,456,345</u>	<u>-</u>	<u>-</u>	<u>18,912,061</u>	<u>15,456,345</u>
Total Governmental Activities	<u>\$ 53,858,251</u>	<u>\$ 51,779,249</u>	<u>\$ 441,089</u>	<u>\$ 436,358</u>	<u>\$ 54,299,340</u>	<u>\$ 52,215,607</u>

The table below shows the changes in capital assets for the fiscal years 2013 and 2012.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Beginning Balance	\$ 51,779,249	\$ 43,649,066	\$ 436,358	\$ 483,347	\$ 52,215,607	\$ 44,132,413
Additions	3,465,711	9,637,526	56,162	7,222	3,521,873	9,644,748
Retirements	-	(63,446)	-	(56,765)	-	(120,211)
Depreciation	<u>(1,386,709)</u>	<u>(1,443,897)</u>	<u>(51,431)</u>	<u>2,554</u>	<u>(1,438,140)</u>	<u>(1,441,343)</u>
Ending Balance	<u>\$ 53,858,251</u>	<u>\$ 51,779,249</u>	<u>\$ 441,089</u>	<u>\$ 436,358</u>	<u>\$ 54,299,340</u>	<u>\$ 52,215,607</u>

**ALLEN COUNTY SCHOOL DISTRICT – SCOTTSVILLE KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2013**

BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1 – June 30; other programs, i.e. some federal programs operate on a different fiscal calendar, but are reflected in the District’s overall budget. By law the budget must have a minimum 2% contingency. The District adopted a budget with \$1,100,000 in contingency (5.9%).

The beginning General Fund cash balance for 2013 fiscal year was \$1.7 million. Due to the lack of State funding, there were no pay increases given for 2012-13. The district currently participates in approximately 29 state and federal grants. The total budget for these grants is \$3 million.

KTRS rates will be increasing for 2013-14 from 14.105% to 14.605% on the employer federal matching portion; while the KTRS non-federally funded employees rate will increase from 1% to 1.5%. Classified retirement rate will decrease in 2013-14 from 19.55% to 18.89%.

Applying for grant reimbursements and monitoring the grants is something the district must do constantly. While waiting for grants to be reimbursed, the district must maintain a significant cash balance in order to pay these expenses in advance. An organization has just recently been hired as a Grant Writer for the district & will be searching for possible state, federal & corporate funding for the Allen County School System.

Local property tax revenue makes up approximately 19% of the general fund revenue. Property taxes are levied annually usually in October on the assessed value for all real and personal property, as well as motor vehicles in the district as of January 1st of the prior year. However, this revenue is not received until the months of November – February which means that the general fund’s beginning balance is used to pay much of the first few months of expenditures. It is very important to have a substantial beginning balance to start the beginning of each year.

Questions regarding this report should be directed by mail to: Superintendent Randall Jackson, Allen County Schools, 570 Oliver Street, Scottsville, KY 42164.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

ALLEN COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION

June 30, 2013

ASSETS	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS TYPE ACTIVITIES</u>	<u>TOTAL</u>
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 5,330,405	\$ 479,953	\$ 5,810,358
Cash - Restricted	1,482,318	-	1,482,318
Inventory	-	44,589	44,589
Accrued Interest Receivable	1,781	-	1,781
Receivables			
Taxes - Current	37,826	-	37,826
Intergovernmental - Federal	297,169	11,014	308,183
TOTAL CURRENT ASSETS	<u>\$ 7,149,499</u>	<u>\$ 535,556</u>	<u>\$ 7,685,055</u>
NONCURRENT ASSETS			
Capital Assets(Net of Depreciation)	\$ 53,858,251	\$ 441,089	\$ 54,299,340
Deferred Amount on Refunding	9,184	-	9,184
Bond Discount and Expense	360,028	-	360,028
TOTAL ASSETS	<u>\$ 61,376,962</u>	<u>\$ 976,645</u>	<u>\$ 62,353,607</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	\$ 4,668	\$ 148	\$ 4,816
Accrued Payroll and Related Expenses	35,398	-	35,398
Deferred Revenue	349,126	-	349,126
Current Portion of Bond Obligations	1,270,000	-	1,270,000
Current Portion of Accrued Sick Leave	24,052	-	24,052
Retainage Payable	788,215	-	788,215
Bond Interest Payable	1,186,145	-	1,186,145
TOTAL CURRENT LIABILITIES	<u>\$ 3,657,604</u>	<u>\$ 148</u>	<u>\$ 3,657,752</u>
NONCURRENT LIABILITIES			
Noncurrent Portion of Bond Obligations	\$ 27,760,000	\$ -	\$ 27,760,000
Noncurrent Portion of Accrued Sick Leave	445,967	-	445,967
TOTAL NONCURRENT LIABILITIES	<u>\$ 28,205,967</u>	<u>\$ -</u>	<u>\$ 28,205,967</u>
TOTAL LIABILITIES	<u>\$ 31,863,571</u>	<u>\$ 148</u>	<u>\$ 31,863,719</u>
NET POSITION			
Invested in Capital Assets, Net of Related Debt	\$ 23,642,106	\$ 441,089	\$ 24,083,195
Restricted			
Construction	2,806,051	-	2,806,051
SFCC	11,624	-	11,624
QCSB Escrow	1,482,318	-	1,482,318
Unrestricted	1,571,292	535,408	2,106,700
TOTAL NET POSITION	<u>\$ 29,513,391</u>	<u>\$ 976,497</u>	<u>\$ 30,489,888</u>

See accompanying notes to financial statements
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ALLEN COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	PROGRAM REVENUES			CHANGES IN NET POSITION			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS & CONTRIBUTIONS	CAPITAL GRANTS & CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
FUNCTIONS/PROGRAMS							
Governmental Activities							
Current:							
Instruction:	15,494,789	\$ 41,960	\$ 2,946,142	\$ -	\$ (12,506,687)	\$ -	\$ (12,506,687)
Support Services:							
Student	965,860	-	14,740	-	(951,120)	-	(951,120)
Instructional Staff	1,102,922	-	116,134	-	(986,788)	-	(986,788)
District Administration	670,880	-	-	-	(670,880)	-	(670,880)
School Administration	1,378,704	-	27,694	-	(1,351,010)	-	(1,351,010)
Business	532,609	-	47,654	-	(484,955)	-	(484,955)
Plant Operations and Maintenance	2,305,674	-	54,353	-	(2,251,321)	-	(2,251,321)
Student Transportation	1,716,001	-	9,197	-	(1,706,804)	-	(1,706,804)
Community Services	241,556	-	202,275	-	(39,281)	-	(39,281)
Interest on Long-Term Debt	1,213,348	-	-	1,020,425	(192,923)	-	(192,923)
Total Governmental Activities	<u>\$ 25,622,343</u>	<u>\$ 41,960</u>	<u>\$ 3,418,189</u>	<u>\$ 1,020,425</u>	<u>\$ (21,141,769)</u>	<u>\$ -</u>	<u>\$ (21,141,769)</u>
Business-Type Activities							
Food Service	\$ 1,908,436	\$ 504,729	\$ 1,411,385	\$ -	\$ -	\$ 7,678	\$ 7,678
Total Primary Government	<u>\$ 27,530,779</u>	<u>\$ 546,689</u>	<u>\$ 4,829,574</u>	<u>\$ 1,020,425</u>	<u>\$ (21,141,769)</u>	<u>\$ 7,678</u>	<u>\$ (21,134,091)</u>
GENERAL REVENUES							
From Local Services:							
Taxes:							
Property Taxes				\$ 4,613,891	\$ -	\$ 4,613,891	
Motor Vehicles Taxes				486,932	-	486,932	
Unmined Minerals Taxes				12,999	-	12,999	
Other Taxes				44,016	-	44,016	
Revenue in Lieu of Taxes				145,739	-	145,739	
Sale of fixed assets				8,508	-	8,508	
Investment Earnings				49,709	3,461	53,170	
State Aid Formula Grants				17,560,183	-	17,560,183	
Miscellaneous				158,895	-	158,895	
Total General Revenues				<u>\$ 23,080,872</u>	<u>\$ 3,461</u>	<u>\$ 23,084,333</u>	
Transfers to Other Funds				\$ 70,271	\$ (70,271)	\$ -	
Change in Net Position				\$ 2,009,374	\$ (59,132)	\$ 1,950,242	
Net Position - Beginning				<u>27,504,017</u>	<u>1,035,629</u>	<u>28,539,646</u>	
Net Position - Ending				<u>\$ 29,513,391</u>	<u>\$ 976,497</u>	<u>\$ 30,489,888</u>	

See accompanying notes to financial statements

FUND FINANCIAL STATEMENTS

**ALLEN COUNTY SCHOOL DISTRICT
BALANCE SHEET**

GOVERNMENTAL FUNDS

June 30, 2013

	GENERAL FUND	SPECIAL REVENUE FUND	CONSTRUCTION FUND	FSPK FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:						
Cash and Cash Equivalents	\$ 2,467,228	\$ 56,622	\$ 2,806,051	\$ 32	\$ 472	\$ 5,330,405
Accrued Interest Receivable	1,781	-	-	-	-	1,781
Cash - Restricted	-	-	-	-	1,482,318	1,482,318
Receivables						
Taxes - Current	26,705	-	-	-	-	26,705
Intergovernmental - Federal	-	297,169	-	11,120	-	308,289
TOTAL ASSETS:	\$ 2,495,714	\$ 353,791	\$ 2,806,051	\$ 11,152	\$ 1,482,790	\$ 7,149,498
LIABILITIES AND FUND BALANCE:						
LIABILITIES:						
Accounts Payable	\$ 35,398	\$ 4,665	\$ -	\$ -	\$ -	\$ 40,063
Accrued Payroll and Related Expenses	-	349,126	-	-	-	349,126
Deferred Revenues	-	-	-	-	-	-
TOTAL LIABILITIES	\$ 35,398	\$ 353,791	\$ -	\$ -	\$ -	\$ 389,189
FUND BALANCES:						
Restricted:						
Construction	\$ -	\$ -	\$ 2,806,051	\$ -	\$ -	\$ 2,806,051
SFCC	-	-	-	11,152	472	11,624
Bond Escrow	-	-	-	-	1,482,318	1,482,318
Committed:						
SBCFWD	239,891	-	-	-	-	239,891
Other	-	-	-	-	-	-
Unassigned:						
Unassigned:	2,220,423	-	-	-	-	2,220,423
TOTAL FUND BALANCES:	\$ 2,460,314	\$ -	\$ 2,806,051	\$ 11,152	\$ 1,482,790	\$ 6,760,307
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,495,712	\$ 353,791	\$ 2,806,051	\$ 11,152	\$ 1,482,790	\$ 7,149,496

See accompanying notes to financial statements

**ALLEN COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION**

June 30, 2013

Total fund balance per fund financial statement	\$ 6,760,307
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources, and therefore are not reported as assets in governmental funds. The cost of the assets is \$73,989,902 and the accumulated depreciation is \$20,131,651.	
	53,858,251
Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, and accrued interest) are not reported in the fund financial statements because they are not due and payable, but they are presented in the statement of net position.	
Bond Obligations	(29,030,000)
Accrued Sick Leave	(470,019)
Bond Interest Payable	(1,186,145)
Retainage Payable	(788,215)
Bond Discount, Expense and Deferred amount on refunding	<u>369,212</u>
Net position for Governmental Activities	<u>\$ 29,513,391</u>

ALLEN COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	GENERAL FUND	SPECIAL REVENUE (GRANT) FUND	CONSTRUCTION FUND	FSPK FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:						
From Local Sources:						
Taxes:						
Property	\$ 3,081,478	\$ -	\$ -	\$ 1,430,731	\$ -	\$ 4,512,209
Motor Vehicle	316,506	-	-	170,426	-	486,932
Unmined Minerals	8,586	-	-	4,414	-	13,000
Tuition & Fees	41,960	-	-	-	-	41,960
Earnings on Investments	23,926	584	25,199	-	-	49,709
Other Local Revenues	215,842	233,890	600	-	-	450,332
Intergovernmental - State	16,413,727	1,115,955	-	1,087,692	1,287,408	19,904,782
Intergovernmental- Indirect Federal	90,307	2,003,707	-	-	-	2,094,014
TOTAL REVENUES	\$20,192,332	\$ 3,354,136	\$ 25,799	\$ 2,693,263	\$ 1,287,408	\$ 27,552,938
EXPENDITURES:						
Current:						
Instruction:	\$12,105,789	\$ 2,946,142	\$ -	\$ -	\$ -	\$ 15,051,931
Support Services:						
Student	950,667	14,740	-	-	-	965,407
Instructional Staff	986,788	116,134	-	-	-	1,102,922
District Administration	615,798	-	-	-	-	615,798
School Administration	1,351,010	27,694	-	-	-	1,378,704
Business	484,955	47,654	-	-	-	532,609
Plant Operations and Maintenance	2,153,752	54,353	-	-	-	2,208,105
Student Transportation	1,573,339	9,197	-	-	-	1,582,536
Community Services	38,623	202,275	-	-	-	240,898
Facility Acquisition and Construction	-	-	2,456,796	-	-	2,456,796
Building Improvements	-	-	210,705	-	-	210,705
Debt Service:						
Principal	-	-	-	-	1,255,000	1,255,000
Interest	-	-	-	-	1,221,704	1,221,704
TOTAL EXPENDITURES	\$20,260,721	\$ 3,418,189	\$ 2,667,501	\$ -	\$ 2,476,704	\$ 28,823,115
Excess (deficit) of Revenues over Expenditures	\$ (68,389)	\$ (64,053)	\$ (2,641,702)	\$ 2,693,263	\$ (1,189,296)	\$ (1,270,177)
OTHER FINANCING SOURCES (USES):						
Proceeds from Sale of Fixed Assets	\$ 8,508	\$ -	\$ -	\$ -	\$ -	\$ 8,508
Transfers In	857,266	64,053	373,459	-	2,197,438	3,492,216
Transfers Out	(64,053)	-	-	(3,043,087)	(314,806)	(3,421,946)
TOTAL OTHER FINANCING SOURCES (USES):	\$ 801,721	\$ 64,053	\$ 373,459	\$ (3,043,087)	\$ 1,882,632	\$ 78,778
Net Change in Fund Balance	\$ 733,332	\$ -	\$ (2,268,243)	\$ (349,824)	\$ 693,336	\$ (1,191,399)
Fund Balance, July 1, 2012	1,726,982	-	5,074,294	360,976	789,454	7,951,706
Fund Balance, June 30, 2013	\$ 2,460,314	\$ -	\$ 2,806,051	\$ 11,152	\$ 1,482,790	\$ 6,760,307

See accompanying notes to financial statements

ALLEN COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the year ended June 30, 2013

Net change in total fund balances per fund financial statements	\$ (1,191,399)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in this fund financial statement	2,079,000
Bond and capital lease payments are recognized as expenditures of current	1,255,000
Bond Interest Payments	(27,632)
Sick Leave	(23,227)
Bond Discount and Expense	<u>(82,368)</u>
Change in Net position of Governmental Activities	<u>\$ 2,009,374</u>

ALLEN COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2013

ASSETS	FOOD SERVICE FUND
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 479,953
Inventory	44,589
Receivable	
Intergovernmental - Federal	11,014
TOTAL CURRENT ASSETS	\$ 535,556
NONCURRENT ASSETS	
Capital Assets (Net of Depreciation)	\$ 441,089
TOTAL ASSETS	\$ 976,645
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	\$ 148
TOTAL CURRENT LIABILITIES	\$ 148
NET POSITION	
Invested in Capital Assets	\$ 441,089
Unrestricted	535,408
TOTAL NET POSITION	\$ 976,497

See accompanying notes to financial statements

ALLEN COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>FOOD SERVICE</u>
REVENUE:	
Revenue from Local Sources	
Lunchroom Sales	\$ 504,729
OPERATING EXPENSES:	
Salaries Personnel Services	\$ 604,966
Employee Benefits	306,683
Professional & Technical Services	2,709
Purchased Property Services	23,987
Depreciation	51,431
Other Purchased Services	9,986
Supplies & Material	887,442
Property	20,858
Miscellaneous	374
TOTAL OPERATING EXPENSES	<u>\$ 1,908,436</u>
OPERATING LOSS	<u>\$ (1,403,707)</u>
NON-OPERATING REVENUES (EXPENSES)	
Federal Grants	\$ 1,136,960
Donated Commodities	119,242
State Grants	18,229
State on-behalf Payments	136,954
Interest Income	3,461
TOTAL NON-OPERATING REVENUES AND (EXPENSES)	<u>\$ 1,414,846</u>
TRANSFERS TO/FROM OTHER FUNDS	(70,271)
CHANGE IN NET POSITION	\$ (59,132)
Net Position, July 1, 2012	<u>1,035,629</u>
Net Position, June 30, 2013	<u>\$ 976,497</u>

See accompanying notes to the financial statements

ALLEN COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>FOOD SERVICE FUND</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received From:	
Lunchroom Sales	\$ 504,729
Other Activities	
Cash Paid to/for:	
Employees	(774,695)
Supplies	(778,175)
Other Activities	(57,914)
Net Cash Used by Operating Activities	<u>\$ (1,106,055)</u>
Cash Flows from Non-Capital and Related Financing Activities	
Federal Grants	\$ 1,136,310
State Grants	18,229
Transfer to General Fund	(70,271)
Net Cash Provided by Non-Capital and Related Financing Activities	<u>\$ 1,084,268</u>
Cash Flows from Capital and Related Financing Activities	
Transfer to General Fund	(56,162)
Net Cash Used by Capital and Related Financing Activities	<u>\$ (56,162)</u>
Cash Flows from Investing Activities	
Receipt of Interest Income	3,461
Net Increase in Cash and Cash Equivalents	\$ (74,488)
Balances - Beginning of Year	<u>554,441</u>
Balances - End of Year	<u>\$ 479,953</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities	
Operating Loss	\$ (1,403,707)
Adjustments to Reconcile Operating Income to Net Cash Provided (used) by Operating Activities:	
Depreciation	51,431
Donated Commodities	119,242
On-Behalf Payments	136,954
Changes in Assets and Liabilities	
Inventory	(9,123)
Accounts Payable	(852)
Net Cash used by Operating Activities	<u>\$ (1,106,055)</u>
Schedule of Non-cash Transactions:	
Donated Commodities Received from Federal Government	\$ 100,357
State On-behalf Payments	142,733

See accompanying notes to financial statements

ALLEN COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Agency Funds
ASSETS	
Cash	\$ 410,926
Accounts Receivable	-
TOTAL ASSETS	<u>\$ 410,926</u>
LIABILITIES	
Accounts Payable	\$ -
Due to Student Groups	410,926
TOTAL LIABILITIES	<u>\$ 410,926</u>

See accompanying notes to financial statements

NOTES TO THE BASIC FINANCIAL STATEMENTS

**ALLEN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Allen 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 Allen County School 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 as Board members are elected by the public and have decision-making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

During the year ended June 30, 2011, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” The standard established the fund balance categories of nonspendable, restricted, committed, assigned and unassigned. Information concerning the District’s fund balances can be found in Note C.

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

The financial statements of the Board also 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:

Allen County School District Finance Corporation – In July 1985, the Allen County, Kentucky, Board of Education resolved to authorize the establishment of the Allen County School District Finance Corporation (a non-profit, non-stock, public, and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The board members of the Allen County Board of Education also comprise the Corporation’s board of directors.

Basis of Presentation

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

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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

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

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

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable 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 on page 42-43. This is a major fund of the District.

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Fund).

1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the district's facility plan.
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. The FSPK Fund is a major fund.
3. The Construction Fund accounts for proceeds from sale of bonds and other revenues to be used for authorized construction. The Construction Fund is a major fund.

(D) The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related 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, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service 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

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 Uniform Program of Accounting for School Activity Funds.

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide 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.

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

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

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

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

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Property Taxes

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

The property tax rates assessed for the year ended June 30, 2013, to finance the General Fund operations were \$.574 per \$100 valuation for real property, \$.574 per \$100 valuation for business personal property and \$.518 per \$100 valuation for motor vehicles.

Capital Assets

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

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

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
General equipment	5-15 years

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Interfund Balances

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

Budgetary Process

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

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

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

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

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

Cash and Cash Equivalents

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

Inventories

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

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

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2013 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.

Accrued Liabilities and Long-Term Obligations

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

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

Net position

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals and day care fees 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 nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

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

NOTE B - ESTIMATES

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

NOTE C - FUND BALANCES

Nonspendable fund balances are those that cannot be spent on future obligations. At June 30, 2013, there were no nonspendable fund balances.

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. At June 30, 2013, the district had \$2,806,051 restricted for capital projects in the Construction Fund, \$11,152 restricted for SFCC in the FSPK Fund, and \$472 restricted for SFCC in the SEEK Capital Outlay Fund.

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. The District had the following general fund commitments at June 30, 2013: \$239,891 for Site Based Carryforward.

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. At June 30, 2013 there were no assigned fund balances.

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.

NOTE D - CASH AND CASH EQUIVALENTS

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. The District's policy is to have all deposits secured by pledged securities. At June 30, 2013, \$6,378,651 of the District's bank balance of \$7,475,333 was exposed to custodial credit risk. The bank balance not covered by depository insurance was collateralized by securities held by the pledging financial institution.

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

NOTE E – LONG-TERM OBLIGATIONS

The amount shown in the accompanying financial statements as bond obligations represents the Board's future obligations to make payments relating to the bonds issued by the Allen County School District Finance Corporation.

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

<u>ISSUE</u>		
1997	\$ 8,440,000	5.44%
2003	8,100,000	9.94%
2003 R	2,190,000	1.85%
2004	1,320,000	4.14%
2005 R	5,650,000	3.48%
2005	4,020,000	3.95%
2006	565,000	4.10%
2007	690,000	3.94%
2010	16,115,000	4.75%
2012	<u>4,970,000</u>	2.40%
Total	<u>\$ 52,060,000</u>	

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 Allen County Fiscal Court and the City of Scottsville to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

The District has "participation agreements" with the Kentucky School Facilities Construction Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local school districts in meeting school construction needs. The following table sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

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

	<u>ALLEN COUNTY</u>			<u>STATE</u>			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Total</u>
6/30/2014	\$ 1,100,588	\$ 335,654	\$ 1,436,242	\$ 169,412	\$ 850,491	\$ 1,020,424	\$ 2,456,145
6/30/2015	1,139,367	304,446	1,443,813	175,633	844,791	1,020,426	2,464,237
6/30/2016	1,173,130	271,053	1,444,183	181,870	838,554	1,020,425	2,464,607
6/30/2017	1,211,643	235,872	1,477,515	188,357	832,068	1,020,424	2,467,940
6/30/18-22	3,914,409	764,426	4,678,835	910,591	4,059,754	4,970,345	9,649,180
6/30/23-27	2,137,970	156,305	2,294,275	612,030	3,884,839	4,496,869	6,791,144
6/30/2028	-	-	-	<u>16,115,000</u>	<u>382,739</u>	<u>16,497,739</u>	<u>16,497,739</u>
Grand Total	<u>\$ 10,677,107</u>	<u>\$ 2,067,756</u>	<u>\$ 12,744,863</u>	<u>\$18,352,893</u>	<u>\$11,693,236</u>	<u>\$ 30,046,129</u>	<u>\$ 42,790,992</u>

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

NOTE E – LONG-TERM OBLIGATIONS CONTINUED

Accumulated Unpaid Sick Leave Benefits

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

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

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

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

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Revenue bonds payable	\$30,285,000	\$ -	\$ 1,255,000	\$ 29,030,000	\$ 1,270,000
Accrued sick leave	<u>446,792</u>	<u>108,342</u>	<u>85,115</u>	<u>470,019</u>	<u>24,052</u>
Governmental Activities:					
Long-term liabilities	<u>\$30,731,792</u>	<u>\$ 108,342</u>	<u>\$ 1,340,115</u>	<u>\$ 29,500,019</u>	<u>\$ 1,294,052</u>

The debt service fund is primarily responsible for paying the bond obligations through funding from the capital outlay and FSPK funds. The general fund is primarily responsible for paying accrued sick leave.

NOTE F – RETIREMENT PLANS

The Allen County Public Schools contributes to the Teachers' Retirement System of Kentucky (KTRS), a cost-sharing, multiple employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky.

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publically available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601.

Funding Policy – Contribution rates are established by KRS. Members are required to contribute 10.855% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries for members before July 1, 2008 and 14.105% of salaries for members after July 1, 2008. The federal program for any salaries paid by that program pays the matching contribution of 14.105%. Effective July 1, 2011, employer contribution for non-federal funded employee salaries is 1.0%

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

NOTE F – RETIREMENT PLANS CONTINUED

KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by KY Department of Education (KDE).

The Allen County Public School District's total payroll for the year was \$15,501,068. The following table shows the salaries and contributions for employees covered under KTRS:

	<u>KTRS Salaries</u>	<u>Commonwealth Contributions</u>	<u>School District Contributions</u>
2013	\$11,606,461	\$1,406,685	\$119,133
2012	\$11,887,609	\$1,387,649	\$189,592
2011	\$11,707,125	\$1,361,077	\$181,172

The School District's contribution represents employees covered by federal programs.

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System (CERS). Funding for the Plan is provided through payroll withholdings of 5% for those employees participating in CERS before September 1, 2008 and 6% for those employees participating in CERS on or after September 1, 2008 and a District contribution for the years ended June 30, 2013, 2012, 2011, of 19.55%, 18.96% and 16.93% of the employee's total compensation subject to contribution. The contribution rate is actuarially determined. The following table shows the salaries and contributions for employees covered under CERS:

	<u>CERS Salaries</u>	<u>District Contributions</u>	<u>Employee Contributions</u>
2013	\$ 3,728,926	\$ 729,332	\$ 202,008
2012	\$ 3,936,943	\$ 746,449	\$ 202,912
2011	\$ 3,737,348	\$ 632,735	\$ 190,476

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

Additional information and historical trend information can be obtained from the separately issued Teacher Retirement System of Kentucky Comprehensive Annual Financial Report.

Deferred Compensation

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

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

NOTE G - CONTINGENCIES

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

NOTE H- LITIGATION

The District is subject to various other legal actions in various stages 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 combined financial statements as a result of the cases presently in progress, except as described elsewhere in this report.

NOTE I – INSURANCE AND RELATED ACTIVITIES

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

NOTE J – RISK MANAGEMENT

The District is exposed to various risks of loss related to injuries to employees. To obtain insurance of workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. The public entity risk pools operate as common risk management and insurance programs for all school district and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount.

Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notices. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the members on a pro rata basis.

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

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

NOTE K – CAPITAL ASSETS

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

	BALANCE <u>JULY 1, 2012</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	BALANCE <u>JUNE 30, 2013</u>
Governmental Activities:				
Non-Depreciable Assets				
Land	\$ 1,001,750	\$ -	\$ -	\$ 1,001,750
Land improvements	4,237,064	-	-	4,237,064
Buildings and building improvements	42,916,851	-	-	42,916,851
Technology equipment	2,860,148	-	(1,048)	2,859,100
Vehicles	3,231,766	-	-	3,231,766
General equipment	821,315	9,995	-	831,310
Construction in Progress	<u>15,456,345</u>	<u>3,455,716</u>	-	<u>18,912,061</u>
Totals at historical cost:	<u>\$70,525,239</u>	<u>\$ 3,465,711</u>	<u>\$ (1,048)</u>	<u>\$73,989,902</u>
Less Accumulated Depreciation For:				
Land improvements	\$ 1,252,269	\$ 190,374	\$ -	\$ 1,442,643
Buildings and building improvements	12,028,868	878,947	-	12,907,815
Technology equipment	2,163,876	153,909	(1,048)	2,316,737
Vehicles	2,605,794	141,787	-	2,747,581
General equipment	<u>695,183</u>	<u>21,692</u>	-	<u>716,875</u>
Total accumulated depreciation:	<u>\$18,745,990</u>	<u>\$ 1,386,709</u>	<u>\$ (1,048)</u>	<u>\$20,131,651</u>
Governmental Activities Capital Assets Net	<u>\$51,779,249</u>	<u>\$ (2,079,002)</u>	<u>\$ -</u>	<u>\$53,858,251</u>

DEPRECIATION EXPENSE CHARGED TO GOVERNMENTAL FUNCTIONS AS FOLLOWS:

Instructional	\$ 1,099,482
Student support services	454
District administration	55,082
Plant operation & maintenance	97,568
Student transportation	133,465
Community service operations	<u>658</u>
Total	<u>\$ 1,386,709</u>

Business Type Activities:				
Land improvements	\$ 9,690	\$ -	\$ -	\$ 9,690
Buildings and building improvements	287,750	-	-	287,750
Technology equipment	23,815	-	-	23,815
General equipment	<u>771,647</u>	<u>56,162</u>	-	<u>827,809</u>
Totals at historical cost:	<u>\$ 1,092,902</u>	<u>\$ 56,162</u>	<u>\$ -</u>	<u>\$ 1,149,064</u>

Less Accumulated Depreciation For:				
Land improvements	\$ 1,696	\$ 485	\$ -	\$ 2,180
Buildings and building improvements	21,102	5,755	-	26,857
Technology equipment	16,807	1,752	-	18,559
General equipment	<u>616,939</u>	<u>43,440</u>	-	<u>660,379</u>
Total accumulated depreciation:	<u>\$ 656,544</u>	<u>\$ 51,431</u>	<u>\$ -</u>	<u>\$ 707,975</u>

Proprietary Activities Capital Assets Net	<u>\$ 436,358</u>	<u>\$ 4,731</u>	<u>\$ -</u>	<u>\$ 441,089</u>
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**ALLEN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013**

NOTE L – DEFICIT OPERATING BALANCES

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

SEEK Capital Outlay	\$ 47,823
FSPK Fund	\$ 349,824
Construction Fund	\$ 2,268,243

NOTE M - COBRA

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

NOTE N - TRANSFER OF FUNDS

The following transfers were made during the year:

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Special Revenue	Transfer	\$ 64,053
Seek Capital Outlay	Construction	Transfer	51,780
Seek Capital Outlay	General	Transfer	263,025
FSPK	Construction	Transfer	321,679
FSPK	General	Transfer	523,970
FSPK	Debt Service	Bond Payment	2,197,438
Food Service	General	Transfer	<u>70,271</u>
			<u>\$ 3,492,216</u>

NOTE O – CAPITAL LEASES

The District is party to numerous small operating leases for office equipment such as copiers, postage machines and fax machines, which represent an insignificant obligation.

NOTE P – INTERFUND RECEIVABLE AND PAYABLES

There were no interfund receivables and payables at June 30, 2013

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

NOTE Q – ON-BEHALF PAYMENTS

For the year ended June 30, 2013, the Commonwealth of Kentucky contributed estimated payments on-behalf of the District's employees of \$4,657,120 to the health insurance carriers, flexible spending account vendors and KTRS. GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, establishes accounting and reporting standards for on-behalf payments. In accordance with the standard, the District recognized an expense and revenue for this payment on the District-Wide Financial Statements.

REQUIRED SUPPLEMENTARY INFORMATION

ALLEN COUNTY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL- GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2013

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
REVENUES:				
From local sources:				
Taxes:				
Property	\$ 2,872,189	\$ 3,129,374	\$ 3,081,478	\$ (47,896)
Motor Vehicle	323,658	323,781	316,506	(7,275)
Unmined Minerals	-	-	8,586	8,586
Tuition & Fees	7,000	45,298	41,960	(3,338)
Earnings on Investments	40,000	25,000	23,926	(1,074)
Other Local Revenues	19,100	175,415	215,842	40,427
Intergovernmental - State	12,301,870	12,419,310	16,413,727	3,994,417
Intergovernmental - Indirect Federal	200,000	100,000	90,307	(9,693)
TOTAL REVENUES	\$ 15,763,817	\$ 16,218,178	\$ 20,192,332	\$ 3,974,154
EXPENDITURES:				
Current:				
Instruction:	\$ 9,611,968	\$ 9,195,396	\$ 12,105,789	\$ (2,910,393)
Support Services:	768,594			
Student	758,325	728,468	950,667	(222,199)
Instructional Staff	641,286	802,179	986,788	(184,609)
District Administration	1,107,349	684,956	615,798	69,158
School Administration	406,969	1,050,882	1,351,010	(300,128)
Business	2,174,141	361,268	484,955	(123,687)
Plant Operations and Maintenance	1,562,394	2,698,649	2,153,752	544,897
Student Transportation	9,719	1,538,454	1,573,339	(34,885)
Community Services	530,148	38,582	38,623	(41)
Contingency	697,990	1,123,262	-	1,123,262
TOTAL EXPENDITURES	\$ 18,268,883	\$ 18,222,096	\$ 20,260,721	\$ (2,038,625)
Excess (deficit) of revenues over expenditures	\$ (2,505,066)	\$ (2,003,918)	\$ (68,389)	\$ 1,935,529
OTHER FINANCING SOURCES (USES):				
Proceeds from Sale of Fixed Assets	\$ 18,748	\$ -	\$ 8,508	\$ 8,508
Transfers In	279,898	318,214	857,266	539,052
Transfers Out	(66,295)	(23,500)	(64,053)	(40,553)
TOTAL OTHER FINANCING SOURCES (USES):	\$ 232,351	\$ 294,714	\$ 801,721	\$ 507,007
Net Changes In Fund Balances	\$ (2,272,715)	\$ (1,709,204)	\$ 733,332	\$ 2,442,536
Fund Balance July 1, 2012	1,574,725	1,726,982	1,726,982	-
Fund Balance June 30, 2013	\$ (697,990)	\$ 17,778	\$ 2,460,314	\$ 2,442,536

Both inflows and outflows are equally different in the Schedule of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds by the amount of on-behalf payments of \$ 4,017,030

ALLEN COUNTY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL- SPECIAL REVENUE FUND

FOR THE YEAR ENDED JUNE 30, 2013

	BUDGETED AMOUNTS		ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
REVENUES:				
From local sources:				
Earnings on investments	\$ -	\$ -	\$ 584	\$ 584
Other local revenues	171,973	118,042	233,890	115,848
Intergovernmental - State	1,133,372	989,377	1,115,955	126,578
Intergovernmental - Federal	2,652,114	2,010,056	2,003,707	(6,349)
TOTAL REVENUES	\$3,957,459	\$ 3,117,475	\$ 3,354,136	\$ 236,661
EXPENDITURES:				
Current:				
Instruction:	\$3,402,022	\$ 2,732,579	\$ 2,946,142	\$ (213,563)
Support Services:				
Student	15,376	18,252	14,740	3,512
Instructional Staff	194,539	103,324	116,134	(12,810)
School Administration	29,540	28,536	27,694	842
Business	59,025	48,466	47,654	812
Plant Operations and Maintenance	62,294	62,402	54,353	8,049
Student Transportation	12,877	12,877	9,197	3,680
Community Services	257,081	198,316	202,275	(3,959)
TOTAL EXPENDITURES	\$4,032,754	\$ 3,204,752	\$ 3,418,189	\$ (213,437)
Excess (deficit) of Revenues over Expenditures	\$ (75,295)	\$ (87,277)	\$ (64,053)	\$ 23,224
OTHER FINANCING SOURCES (USES):				
Transfers In	\$ 66,295	\$ 23,500	\$ 64,053	\$ 40,553
Transfers Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES):	\$ 66,295	\$ 23,500	\$ 64,053	\$ 40,553
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	\$ (9,000)	\$ (63,777)	\$ -	\$ 63,777
Fund Balance July 1, 2012	-	-	-	-
Fund Balance June 30, 2013	\$ (9,000)	\$ (63,777)	\$ -	\$ 63,777

SUPPLEMENTARY INFORMATION

ALLEN COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET- NONMAJOR GOVERNMENTAL FUNDS

June 30, 2013

	SEEK CAPITAL OUTLAY FUND	DEBT SERVICE FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS:			
Cash and Cash Equivalents	\$ 472	\$ -	\$ 472
Cash - Restricted	-	1,482,318	1,482,318
Receivables			-
TOTAL ASSETS:	<u>\$ 472</u>	<u>\$ 1,482,318</u>	<u>\$ 1,482,790</u>
LIABILITIES AND FUND BALANCE:			
LIABILITIES:			
Accounts Payable	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCES			
Restricted:			
SFCC	\$ 472	\$ -	\$ 472
Bond Escrow	-	1,482,318	1,482,318
TOTAL FUND BALANCES:	<u>\$ 472</u>	<u>\$ 1,482,318</u>	<u>\$ 1,482,790</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 472</u>	<u>\$ 1,482,318</u>	<u>\$ 1,482,790</u>

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

	<u>SEEK CAPITAL OUTLAY FUND</u>	<u>DEBT SERVICE FUND</u>	<u>TOTAL NON-MAJOR FUNDS</u>
REVENUES:			
From Local Sources:			
Taxes:			
Property	\$ -	\$ -	\$ -
Earnings on Investments	-	-	-
Other Local Revenues	-	-	-
Intergovernmental - State	<u>266,983</u>	<u>254,963</u>	<u>521,946</u>
TOTAL REVENUES	\$ 266,983	\$ 254,963	\$ 521,946
EXPENDITURES:			
Current:			
Instruction:	\$ -	\$ -	\$ -
Facility Acquisition and Construction	-	-	-
Plant Operations & Maintenance	-	-	-
Debt Service:			
Principal	-	1,255,000	1,255,000
Interest	-	456,242	456,242
Other	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>\$ -</u>	<u>\$ 1,711,242</u>	<u>\$ 1,711,242</u>
Excess (deficit) of Revenues over Expenditures	<u>\$ 266,983</u>	<u>\$(1,456,279)</u>	<u>\$(1,189,296)</u>
OTHER FINANCING SOURCES (USES):			
Transfers In	\$ -	\$ 2,197,438	\$ 2,197,438
Transfers Out	<u>(314,806)</u>	<u>-</u>	<u>(314,806)</u>
TOTAL OTHER FINANCING SOURCES (USES):	<u>\$ (314,806)</u>	<u>\$ 2,197,438</u>	<u>\$ 1,882,632</u>
Net Changes in Fund Balances	<u>\$ (47,823)</u>	<u>\$ 741,159</u>	<u>\$ 693,336</u>
Fund Balance, July 1, 2012	<u>48,295</u>	<u>741,159</u>	<u>789,454</u>
Fund Balance, June 30, 2013	<u>\$ 472</u>	<u>\$ 1,482,318</u>	<u>\$ 1,482,790</u>

ALLEN COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET POSITION- AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

	Allen County High School	Allen County Middle School	Allen County Primary Center	Allen County Intermediate Center	Allen County Vocational Center	Allen County Family Resource Center	Allen County Community Resource Center	Total
ASSETS								
Cash	\$ 159,565	\$ 124,756	\$ 33,206	\$ 30,874	\$ 14,154	\$ 7,344	\$ 41,027	\$ 410,926
TOTAL ASSETS	<u>\$ 159,565</u>	<u>\$ 124,756</u>	<u>\$ 33,206</u>	<u>\$ 30,874</u>	<u>\$ 14,154</u>	<u>\$ 7,344</u>	<u>\$ 41,027</u>	<u>\$ 410,926</u>
LIABILITIES								
Due to Student Groups	\$ 159,565	\$ 124,756	\$ 33,206	\$ 30,874	\$ 14,154	\$ 7,344	\$ 41,027	\$ 410,926
TOTAL LIABILITIES	<u>\$ 159,565</u>	<u>\$ 124,756</u>	<u>\$ 33,206</u>	<u>\$ 30,874</u>	<u>\$ 14,154</u>	<u>\$ 7,344</u>	<u>\$ 41,027</u>	<u>\$ 410,926</u>

ALLEN COUNTY SCHOOL DISTRICT
 SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS AND LIABILITIES
 AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

	Allen County High School	Allen County Middle School	Allen County Primary Center	Allen County Intermediate Center	Allen County Vocational Center	Allen County Family Resource Center	Allen County Community Resource Center	Total
Cash Balances, July 1, 2012	\$ 149,282	\$ 130,246	\$ 35,111	\$ 26,732	\$ 13,646	\$ 1,532	\$ 47,079	\$ 403,628
Receipts	279,503	77,395	56,033	49,535	84,625	81,011	22,169	650,271
Disbursements	269,220	82,885	57,938	45,393	84,117	75,199	28,221	642,973
Cash Balances, June 30, 2013	<u>\$ 159,565</u>	<u>\$ 124,756</u>	<u>\$ 33,206</u>	<u>\$ 30,874</u>	<u>\$ 14,154</u>	<u>\$ 7,344</u>	<u>\$ 41,027</u>	<u>\$ 410,926</u>
Due To Student Groups, June 30, 2013	<u>\$ 159,565</u>	<u>\$ 124,756</u>	<u>\$ 33,206</u>	<u>\$ 30,874</u>	<u>\$ 14,154</u>	<u>\$ 7,344</u>	<u>\$ 41,027</u>	<u>\$ 410,926</u>

ALLEN COUNTY SCHOOL DISTRICT
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS
 ALLEN COUNTY HIGH SCHOOL ACTIVITY FUNDS

FOR THE YEAR ENDED JUNE 30, 2013

	Cash Balance <u>07/01/12</u>	<u>Receipts</u>	<u>Disbursements</u>	Cash Balance <u>06/30/13</u>	Due To Student Groups <u>06/30/13</u>
ACCOUNTS:					
General	\$ 6,678	\$ 6,130	\$ 6,087	\$ 6,721	\$ 6,721
Boys Basketball	1,544	16,646	16,609	1,581	1,581
Girls Basketball	6,508	10,488	12,970	4,026	4,026
Football	7,783	35,161	30,215	12,729	12,729
Baseball	1,666	3,707	2,708	2,665	2,665
Agriculture	90	-	-	90	90
Annual	26,333	38,271	36,518	28,086	28,086
Art	78	-	29	49	49
Academic Team	141	-	-	141	141
Band	3	-	-	3	3
Beta	322	11,847	11,206	963	963
Black Heritage	1,705	945	651	1,999	1,999
Cheerleaders	480	20,202	19,352	1,330	1,330
Chess	-	315	-	315	315
Chorus	128	300	108	320	320
Co-Ed-Y	91	-	-	91	91
Class Fees	60	-	-	60	60
English	2,398	192	175	2,415	2,415
Faculty Concessions	2,013	2,308	3,180	1,141	1,141
FFA	12,639	37,947	28,539	22,047	22,047
FHA	418	11,780	11,400	798	798
Home Economics	1,056	1,167	1,468	755	755
Library	529	386	-	915	915
Library Club	4	-	-	4	4
Math	126	-	-	126	126
Pep Club	1,258	2,527	2,273	1,512	1,512
P.E.	16	370	292	94	94
Prom	12,146	6,475	6,136	12,485	12,485
Retailing	107	-	-	107	107
Science	702	1,025	1,162	565	565
Seniors	22	2,913	2,817	118	118
Social Studies	134	1,640	1,278	496	496
Sophomores	116	-	-	116	116
Spanish Club	587	1,660	1,394	853	853
Spanish	342	-	101	241	241
Student Council	25	-	-	25	25
Special Education	379	-	-	379	379
Track	27	-	-	27	27
Drivers Ed	242	-	-	242	242
Soda/YOU Club	1,627	300	1,578	349	349
Sub Total	\$ 90,523	\$ 262,149	\$ 250,840	\$ 106,979	\$ 106,979

ALLEN COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES
ALLEN COUNTY HIGH SCHOOL ACTIVITY FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013

	Cash Balance 07/01/12	Receipts	Disbursements	Cash Balance 06/30/13	Due To Student Groups 06/30/13
ACCOUNTS					
Preceding Page	\$ 90,523	\$ 262,149	\$ 250,840	\$ 106,979	\$ 106,979
Cross Country	1,604	-	-	1,604	1,604
FCA	534	6,254	6,524	264	264
Youth Service	954	-	-	954	954
Softball	4,785	4,186	7,512	1,459	1,459
Golf	7	425	425	7	7
Tennis	1,007	1,306	840	1,473	1,473
Literary Club	801	1,568	1,058	1,311	1,311
Health	862	-	359	503	503
Regional Tournament	-	3,220	3,220	-	-
Concessions	5,011	3,813	2,060	6,764	6,764
Renaissance	43	-	-	43	43
District Tournament	-	1,480	1,480	-	-
Art Club	-	310	266	44	44
Humanities	192	-	-	192	192
Computer Science	279	-	-	279	279
Attendance Incentives	4,576	250	-	4,826	4,826
Athletic Hold Money	-	400	400	-	-
Volleyball	521	2,728	3,160	89	89
Athletic Director	1,395	1,040	150	2,285	2,285
Guidance	1,773	17,797	17,841	1,729	1,729
Newspaper	274	-	-	274	274
Information Technology	561	-	-	561	561
History Club	325	300	210	415	415
Gary Shelton Memorial Scholars	1,192	-	693	499	499
Associate Athletic Account	23,770	6,510	11,290	18,990	18,990
Drama	215	1,884	475	1,624	1,624
FEA	133	-	-	133	133
Science Olympiad	515	406	697	224	224
Boys Region 3 Golf	1,738	800	165	2,373	2,373
Broadcasting	614	-	500	114	114
FMD	20	-	-	20	20
Faculty Flower Fund	632	-	36	596	596
NSSP	957	-	-	957	957
Swim	11	-	-	11	11
Chess Club	110	-	-	110	110
ROTC	3,360	11,119	13,279	1,200	1,200
ACS Regional FFA	-	3,903	3,244	659	659
Total	\$ 149,294	\$ 341,743	\$ 326,328	\$ 159,565	\$ 159,565

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

Federal Grantor/Passthrough Grantor/Program Title	Federal CFDA number	Pass through grantor's number	<u>Expenditures</u>
U.S. Department of Agriculture			
Passed through State Department of Education:			
Child Nutrition Cluster-Cash Assistance:			
School Breakfast Program	10.553	002-005-03	\$ 296,150
National School Lunch Program	10.555	002-005-03	818,949
Summer Food Service Program For Children	10.559	002-005-23	<u>21,860</u>
			\$ 1,136,959
Other U.S. Department of Agriculture Programs: Passed Through State Dept of Agric.:			
Non Cash Assistance-In-kind commodities	10.555	002-005-03	119,242
Total U.S. Department of Agriculture			<u>\$ 1,256,201</u>
U.S. Department of Defense			
ROTC	12.000	5043	\$ 63,556
Total Department of Defense			<u>\$ 63,556</u>
U.S. Department of Education			
Passed through the State Department of Education:			
Title I, Part A Cluster			
Title I Grant to Local Educational Agencies	84.010	3103	\$ 675,323
Title I Grant to Local Educational Agencies	84.010	3103M	\$ 563
Title I Grant to Local Educational Agencies	84.010	3102	243,161
Title I Grant to Local Educational Agencies	84.010A	3102D	\$ 41,044
Title I Grant to Local Educational Agencies	84.010	3102M	\$ 8,974
Title I Grant to Local Educational Agencies	84.010A	3202	<u>\$ 37,994</u>
			\$ 1,007,059
Total Title I, Part A Cluster			\$ 1,007,059
Special Education Cluster(IDEA)			
Special Education-Grants to States	84.027	3372	\$ 83,074
Special Education-Grants to States	84.027	3373	<u>478,799</u>
			\$ 561,873
Special Education-Preschool Grants	84.173	3433	19,875
Special Education-Preschool Grants	84.173	3432	<u>1,151</u>
			\$ 21,026
Improving Teacher Quality State Grants	84.367	4013	\$ 129,482
Improving Teacher Quality State Grants	84.367	4012	<u>36,357</u>
			\$ 165,839
Career and Technical Education-Basic Grants To States	84.048	3483	\$ 37,481
Career and Technical Education-Basic Grants To States	84.048	3483S	1,092
Career and Technical Education-Basic Grants To States	84.048	3482	1,206
Career and Technical Education-Basic Grants To States	84.048	3482S	<u>1,970</u>
			\$ 41,749
Early Reading First	84.359B	3502	\$ 40,120
Early Reading First	84.359B	3501	<u>\$ 4,217</u>
			\$ 44,337
Adult Education- State Grant Programs		3653	\$ 7,282
Adult Education- State Grant Programs	84.002	3733	64,497
Adult Education- State Grant Programs	84.002	3733S	<u>598</u>
			\$ 72,377
Educational Technology State Grants	84.318X	4251	\$ 678
Edujobs	84.410	4411	\$ 4,809
Race To the Top	84.413A	4521	\$ 20,405
Total Department of Education			<u>\$ 1,940,152</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 3,259,909</u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

NOTE A – BASIS OF PRESENTATION

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

NOTE B – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. At June 30, 2013, the District received commodities totaling \$119,242 for the year.

NOTE C – SUBRECIPIENTS

The District has no subrecipients for the fiscal year ended June 30, 2013.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

ALLEN COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued (unmodified):

Internal control over financial reporting:

- Material weakness(es) identified? _____yes ___X_no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____yes ___X_none reported

Noncompliance material to financial statements noted?

_____yes ___X_no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____yes ___X_no
- Significant deficiency(ies) identified that is not considered to be material weakness(es)? _____yes ___X_none reported

Type of auditor's report issued on compliance for major programs (unmodified):

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

_____yes ___X_no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555, & 10.559	Child Nutrition Cluster
84.027	Special Education Cluster

Dollar threshold used to distinguish Between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

___X_yes _____no

ALLEN COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

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

There were no prior year audit findings.

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

Goodman & Company, P.S.C.

Certified Public Accountants

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

Members of the Board of Education
Allen County School District
Scottsville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Allen County Board of Education, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Allen County Board of Education's basic financial statements, and have issued our report thereon dated November 4, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Allen County Board of Education'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 Allen County Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of the Allen County Board of Education'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Allen County Board of Education's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and

accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in the *Independent Auditor's Contract*.

We noted certain matters that we reported to management of Allen County Board of Education in a separate letter dated November 4, 2013.

Purpose of this Report

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



GOODMAN & COMPANY, P.S.C.
Certified Public Accountants
Louisville, Kentucky
November 4, 2013

**REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH
MAJOR PROGRAM AND INTERNAL
CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Goodman & Company, P.S.C.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Members of the Board of Education
Allen County School District
Scottsville, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Allen County Board of Education's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Allen County Board of Education's major federal programs for the year ended June 30, 2013. Allen County Board of Education'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 Allen County Board of Education's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Allen County Board of Education'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 Allen County Board of Education's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of Allen County Board of Education, 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 Allen County Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Allen County Board of Education's internal control over compliance.

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

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

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



GOODMAN & COMPANY, P.S.C.
Certified Public Accountants
Louisville, Kentucky
November 4, 2013

COMMUNICATION WITH DISTRICT BOARD

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Certified Public Accountants

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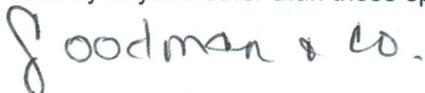
Members of the Board of Education
Allen County School District
Scottsville, Kentucky

In planning and performing our audit of the basic financial statements of Allen County School District for the year ended June 30, 2013, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and suggestions regarding these matters. Any uncorrected comments from the prior year have been included in the memorandum. A separate report dated November 4, 2013 contains our report on the District's internal control. This letter does not affect our report dated November 4, 2013, on the financial statements of Allen County Board of Education.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and their implementation is currently being reviewed. 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.

This report is intended solely for the information and use of management, the members of the Allen County Board of Education, others within the District, the Kentucky Department of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



GOODMAN & COMPANY, P.S.C.
Certified Public Accountants
Louisville, Kentucky
November 4, 2013

COMMENTS

**ALLEN COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS
YEAR ENDED JUNE 30, 2013**

Fiduciary Funds – School Activity Funds

1. **Condition** – During the audit, we noted that in all activity funds, there were operating expenses of the District paid using the activity funds.
Criteria – The *Accounting Procedures for School Activity Funds* (Red Book) states that all expenditures must provide a direct benefit to students. Normal operating expenses must be paid out of District funds.
Cause – Oversight by district employees caused the violation of the requirement.
Recommendations – Ensure that no district operating expenses are paid out of the school activity funds.
Response – Management agrees with the finding and recommendations will be adopted.

2. **Condition** – During the audit, we noted that in one activity fund, there were expenditures paid for benefit of employees only.
Criteria – The *Accounting Procedures for School Activity Funds* (Red Book) states that all expenditures must provide a direct benefit to students.
Cause – Oversight by school employees caused the violation of the requirement.
Recommendations – Reinforce education to all school personnel about the policy and monitor that it is enforced.
Response – Management agrees with the finding and recommendations will be adopted.

3. **Condition** – During the audit, we noted that in one activity fund, the Monthly/Annual Financial Report was not being completed properly.
Criteria – The *Accounting Procedures for School Activity Funds* (Red Book) states that the Monthly/Annual Financial report (Form F-SA-15A) requires that each activity account be separately listed, with beginning balance, receipts, expenditures and ending balances for each activity be shown.
Cause – Oversight by school employees caused the violation of the requirement.
Recommendations – Reinforce education to all school personnel about the policy and monitor that it is enforced.
Response – Management agrees with the finding and recommendations will be adopted.