

**BARREN COUNTY BOARD OF EDUCATION**

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**BASIC FINANCIAL STATEMENTS,  
SUPPLEMENTARY INFORMATION,  
AND INDEPENDENT AUDITOR'S REPORT  
For the Year Ended June 30, 2013**



BARREN COUNTY BOARD OF EDUCATION

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BARREN COUNTY BOARD OF EDUCATION

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CAMPBELL, MYERS AND RUTLEDGE, PLLC

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## Independent Auditor's Report

Members of the Board of Education  
Barren County Board of Education  
Glasgow, Kentucky 42141

### **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 Barren 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 District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, each major fund, and the aggregate remaining fund information of the Barren County Board of Education, 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 States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-10 and 43-44 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 Barren County Board of Education's basic financial statements. The introductory section, 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2013, on our consideration of the Barren County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Barren County Board of Education's internal control over financial reporting and compliance.

*Campbell, Myers & Ratledge, PLLC*

Certified Public Accountants

Glasgow, Kentucky

November 6, 2013

**BARREN COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2013**

As management of the Barren 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 beginning cash balance for the District was \$2,086,907 in the General Fund.
- State revenue for the Capital Outlay Fund increased \$7,467 over 12-13; a 1.75% increase. Under the auspices of House Bill 269, the Board of Education voted to use if necessary \$433,555 of Capital Outlay funds to offset general fund maintenance expenditures and property insurance. The Board of Education used \$189,213 for maintenance and property insurance; the remaining amount of \$244,352 was used for bond payments for buildings. Due to increased debt service payments, the board was forced to use \$ 33,376 more in Capital Outlay funds than the previous year in order to make debt service payments.
- State revenue for the Building Fund overall increased by \$168,486 from the previous year, while tax revenue for that fund increased by \$34,233, resulting in an overall increase of \$202,719 (5.5%). Flat property values and lack of new construction have significantly slowed the growth of this fund. The state's pro rata reductions have lessened in the building fund and with increased ADA has allowed this fund to keep pace with increased debt service payments.
- There were two inter-fund transfers from the General Fund to the KETS grant for the technology offer of assistance totaling \$69,059, which was a decrease of \$16,055 from the previous school year. This represents an 18.9% decrease. In addition an inter-fund transfer was made from the General Fund to the Construction Fund in the amount of \$240,013 to reconcile expenses from past projects. Lastly, an inter-fund transfer was made from the General Fund to the Food Service Fund in the amount of \$16,502 in order to balance expense in excess of revenue.
- The General Fund had \$37,332,546 in revenue, which includes \$6,871,864 in on behalf payments. General Fund expenditures were \$35,653,665 leaving a carry forward balance of \$1,678,880. This was a decrease of \$408,026 from the previous year, a 19.6% decrease. Continued reductions to state and federal funding greatly impacted this year's budget. From the \$64,284 negative adjustment in July in preschool funding to increased transportation and maintenance costs of over \$ 100,000, meeting all the fiscal needs of the district required dipping into the unreserved fund balance. In addition to increased costs, the district also experienced a \$70 per ADA reduction to the per pupil base used to calculate the SEEK funding formula. In the two past fiscal years, federal Ed Jobs funding was able to cover these state imposed reductions, however, as those funds have been depleted the full effect of the state reduction was felt. Our board remains vigilant in monitoring the impact reduced federal funding will have on student services, especially given the news coming out of Washington regarding the compounding effect sequestration is anticipated to cause over the course of the next several fiscal years.
- District leaders completed construction on a 15,000 sq ft ROTC complex as well as major renovations to the Barren County High Campus including exterior work, band room, and media center upgrades. Total expense for this project was \$5,088,644.
- Fund 54 is a proprietary fund for the community education classes, in which enrollees pay fees to reimburse instructors.

**BARREN COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2013**

- Fund 61 is a proprietary fund for the operation of the after school program, Trojan Times, initiated during 02-03 to provide after school care and homework help for our students in conjunction with ESS activities to improve scholastic performance and enrichment activities to which students may not otherwise have access.

## **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. Taxes and intergovernmental revenues also support fixed assets and related debt.

**Fund Financial Statements:** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The proprietary funds are food service operations (Fund 51), after school program (Fund 52), adult community education program (Fund 54), and fiscal agent fund, Trojan Times (Fund 61).

**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.

**BARREN COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2013**

**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 \$ 18,847,679 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 for the period ending June 30, 2013 in comparison to June 30, 2012**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Current assets	\$ 15,607,319	\$ 17,153,232
Noncurrent assets	<u>73,834,556</u>	<u>75,101,952</u>
<b>Total assets</b>	<b>89,441,875</b>	<b>92,255,184</b>
Deferred outflows of resources	389,133	438,224
Current liabilities	4,658,745	16,488,411
Noncurrent liabilities	<u>65,737,535</u>	<u>57,410,353</u>
<b>Total liabilities</b>	<b>70,396,280</b>	<b>73,898,764</b>
Deferred inflows of resources	377,047	345,473
Net assets:		
Investment in capital assets (net of debt)	15,432,321	14,409,190
Assigned	437,615	22,567
Restricted	1,524,838	1,270,823
Unrestricted	<u>1,662,907</u>	<u>2,746,591</u>
<b>Total net position</b>	<b><u>\$ 19,057,681</u></b>	<b><u>\$ 18,449,171</u></b>

**BARREN COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2013**

**Comments on Budget Comparisons**

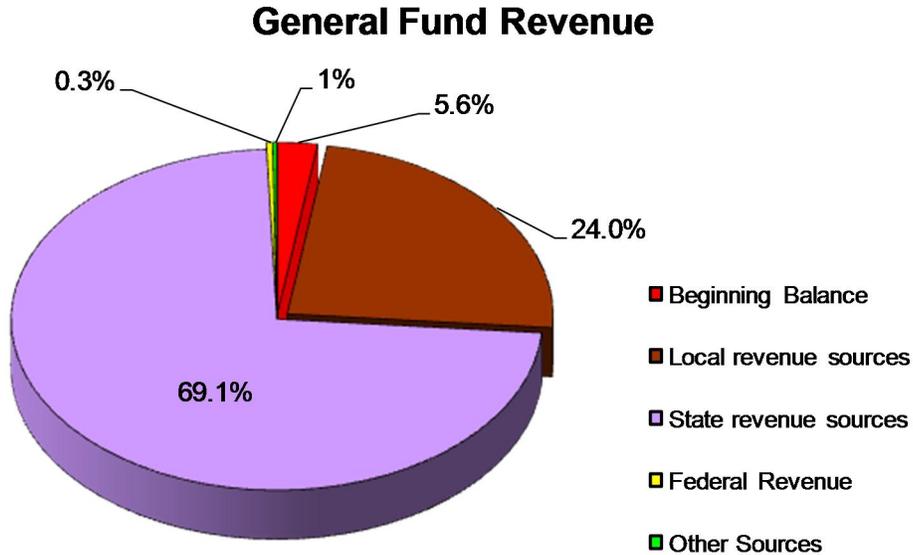
The following table presents a summary of general fund revenue and expense for the fiscal year ended June 30, 2013.

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Revenues:		
Local revenue sources	\$ 10,742,701	\$ 10,350,240
State revenue sources	35,961,317	35,466,039
Other sources	<u>699,763</u>	<u>664,034</u>
Total revenues	\$ 47,403,781	\$ 46,480,313
Expenses:		
Instruction	\$ 27,504,514	\$ 25,959,442
Student support services	1,284,116	1,293,501
Instructional support	976,832	1,345,760
District administration	1,746,555	1,885,142
School administration	2,095,023	1,999,546
Business support	718,141	756,990
Plant operations	4,038,226	4,647,966
Student transportation	3,266,509	2,849,676
Community service act	331,411	335,600
Interest on long-term debt	2,344,118	2,368,211
Depreciation	<u>2,086,508</u>	<u>2,016,487</u>
Total expenses	\$ 46,391,953	\$ 45,458,321
Change in net assets	<u>\$ 1,011,828</u>	<u>\$ 1,021,992</u>

**BARREN COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2013**

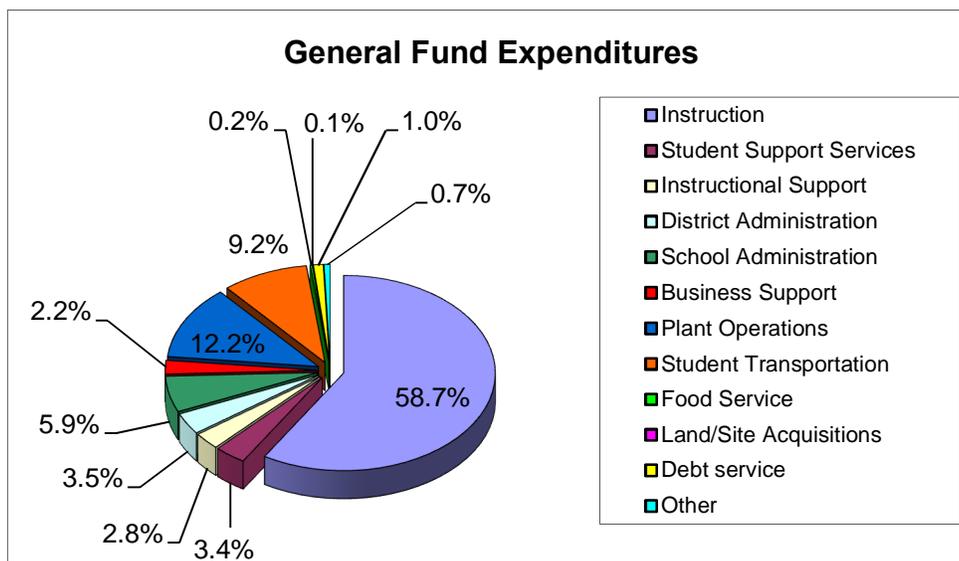
**General Fund Revenue Chart 1**

The majority of revenue was derived from state sources 69.1% with local funding making up 24.0% of total revenue, beginning balance 5.6%, federal revenue .3%, and other sources 1.0%.



**General Fund Expenditures Chart 2**

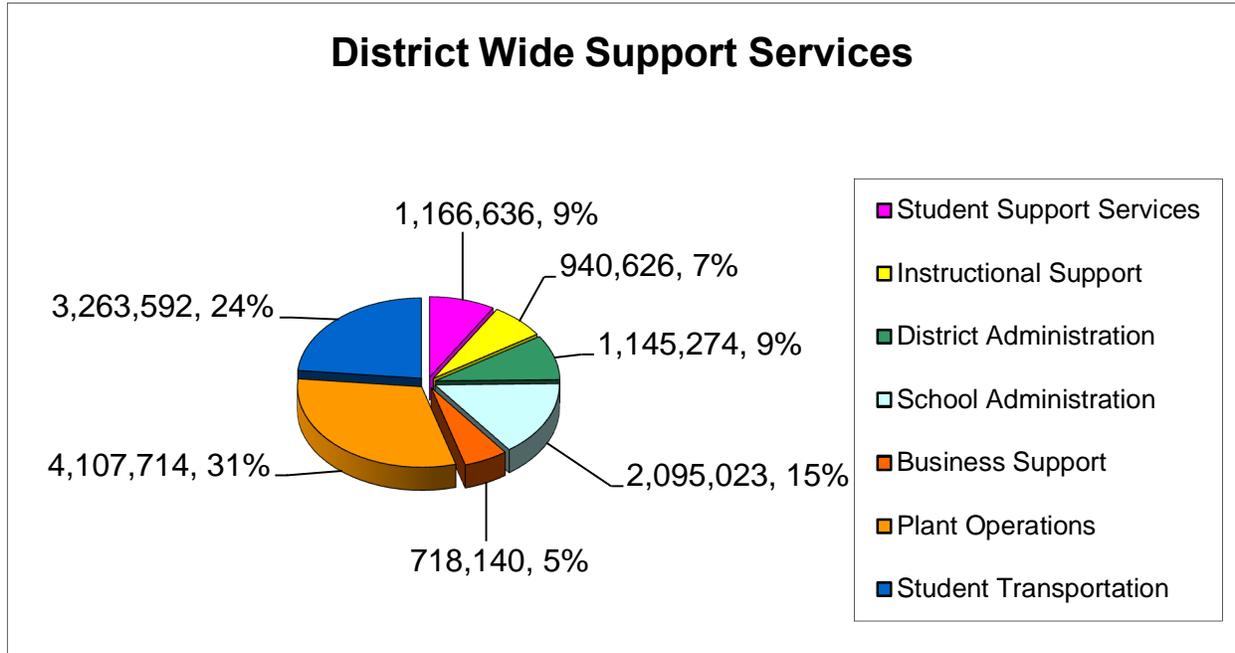
Site Based Decision Making Councils expended 68.8% of the general fund budget. The remaining 31.2% was expended for instructional staff support services, district administrative support, business support services, plant operation and maintenance, student transportation, food service, site acquisitions, and renovation. A breakdown of these expenditures is found in Chart 2.



**BARREN COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2013**

**District Wide Support Services Chart 3**

District Wide support services expenditures were Instructional Staff Support, Administrative Support, Business Support, Plant Operation and Maintenance, Student Transportation and Central Office Support. A breakdown of these expenditures is found in Chart 3.



Long-term debt payments in the amount of \$4,250,923.05 were expended during 2012-2013 for the following bond issues:

- Bond series 2001 QZAB (BCHS)
- Bond series 2002 (Refinance 1993 Middle School)
- Bond series 2004 (Middle School/Vocational School/Eastern)
- Bond series 2005R (Hiseville)
- Bond series 2006 (Trojan Academy)
- Bond series 2008 (NJE Jackson Site Work)
- Bond series 2008B (North Jackson Elementary)
- Bond series 2008 Energy Management
- Bond series 2009R (Refinance Red Cross and AT 1998 and 1998R Series)
- Bond series 2010 (North Jackson Expansion)
- Bond series 2010R (Refinance Park City 2001 Series)
- Bond series 2010B-(Refinance Temple Hill 2002 Series)
- Bond series 2011 (BCHS Expansion ROTC)
- Bond series 2011 QZAB (BCHS Renovation/Band)
- Bond series 2012 (Refinance Middle School/Vocational School/Eastern 2004 Series)

Interest in the amount of \$1,508,389 and bond principal payments in the amount of \$ 2,634,773 were expended from the Building Fund and Capital Outlay. General Fund interest and principal in the amount of \$107,760 was expended for Energy Management Bond Series.

**BARREN COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2013**

**BUDGETARY IMPLICATIONS**

In Kentucky, the public schools fiscal year is July 1 to June 30: other programs, i.e. some federal programs operate on a different fiscal calendar, but are reflected in the District overall budget. By law, the budget must have a minimum 2% contingency. The Barren County Board of Education adopted a budget for 2012-13 with a 5.5 % contingency. Significant Board action that impacts financial status included increasing the student teacher ratio by 1 for all grade levels for the 13-14 school year, reduction in cook and bus driver contracted hours, reduction of ECE personnel , reduction of central office director and continued funding of such Board initiatives as student accident insurance coverage, fee money provision for elementary and middle school students, resource curriculum specialists shared between all grade levels, technology resource specialists, all day kindergarten, open enrollment for preschool students, after school child care, summer feeding program, MAP testing for grades 3 through 9, and additional preschool funding. Renovations to the Barren County High School exterior as well as the band room were completed.

The Board is very concerned about our future financial prospects in regards to the series of reductions in funding we have experienced over the past several years. All flex focus budgets have been reduced, Textbook Funding has been eliminated, Family Resource Budgets have been reduced a number of times, and even the basic SEEK funding formula and Building Fund has been reduced. During the 2013-2014 school year, the board is expected to experience a \$ 6 per ADA funding cut on top of the \$ 70 reduction from this school year, \$ 83,000 digital service learning reduction, as well as 10% cuts to most federal programs through the federal sequester. Due to aggressive grant writing, the district did have a financial bright spot in securing \$ 600,000 in additional 21<sup>st</sup> Century funding for the 13-14 school year which will greatly support after school learning activities for students across the district.

Due to the projected reduction of fund balance, the board enacted a number of reductions in order to reduce expense. From consolidating bus routes to eliminating a director position through attrition and including a host of other efficiencies, the board reduced close to \$ 1,000,000 in General Fund expense. Unfortunately, due to continued yearly inflationary costs and increased budgeted expense items like afterschool programming, the board will most likely not be able to realize the majority of those savings. Just looking at some of the larger costs, KTRS retirement health insurance match is expected to increase .5% or \$ 80,000, student accident insurance \$ 20,000, KISTA financing debt service \$ 63,000, and fuel cost has increased \$ 88,000 over FY11 levels. In addition, the board was notified by KSBA that an outstanding workers compensation liability will need to be covered by all KISBIT participating schools districts since 1993. Our potential portion of the liability is \$ 182,000 that can be financed through Ross-Sinclair and Associates and repaid to the state over a 10 or 20 year time frame. The board was also notified by KDE that the 20% vocational funds that we have been receiving and using in the general fund must now be coded into a project and only spent for certain items. This represents an \$ 115,000 reduction to general fund revenue for the 13-14 school year. Even facing these adverse financial challenges, we continue to address our growing student population and actively evaluate new grant opportunities to further meet our students' needs and to ultimately reach higher and achieve more.

Questions regarding this report should be directed to the Superintendent Bo Matthews. **(270-651-3787)** or to John E. Stith, Director of Financial Services **(270-651-3787)** or by mail at 202 W. Washington Street, Glasgow, KY 42141.

**BARREN COUNTY BOARD OF EDUCATION**  
**STATEMENT OF NET POSITION**  
**June 30, 2013**

	Governmental Activities	Business Type Activities	Total
<b>Assets:</b>			
<u>Current Assets:</u>			
Cash and cash equivalents	\$ 1,494,767	\$ 5,791	\$ 1,500,558
Inventory	-	28,959	28,959
Accounts receivable			
Taxes - current	296,652	-	296,652
Accounts receivable	350,263	145,713	495,976
Intergovernmental - indirect federal	795,131	-	795,131
Investments	12,490,043	-	12,490,043
Total current assets	<u>15,426,856</u>	<u>180,463</u>	<u>15,607,319</u>
<u>Noncurrent Assets:</u>			
Nondepreciated Capital Assets	1,985,095	-	1,985,095
Capital assets	96,378,687	9,396,694	105,775,381
Less: accumulated depreciation	(30,420,380)	(3,505,540)	(33,925,920)
Total noncurrent assets	<u>67,943,402</u>	<u>5,891,154</u>	<u>73,834,556</u>
Total assets	<u>83,370,258</u>	<u>6,071,617</u>	<u>89,441,875</u>
<b>Deferred Outflows of Resources</b>			
Unamortized Discount on Bonds	<u>389,133</u>	-	<u>389,133</u>
<b>Liabilities:</b>			
<u>Current Liabilities:</u>			
Checks issued in excess of deposits	418,083	143,059	561,142
Accounts payable	70,138	3,254	73,392
Current portion of bond obligations	2,890,000	-	2,890,000
Current portion of capital lease obligations	395,117	-	395,117
Current portion of accrued sick leave	5,173	-	5,173
Interest payable	733,921	-	733,921
Total current liabilities	<u>4,512,432</u>	<u>146,313</u>	<u>4,658,745</u>
<u>Noncurrent liabilities:</u>			
Noncurrent portion of bond obligations	63,177,600	-	63,177,600
Noncurrent portion of capital lease obligations	2,127,493	-	2,127,493
Noncurrent portion of accrued sick leave	432,442	-	432,442
Total noncurrent liabilities	<u>65,737,535</u>	<u>-</u>	<u>65,737,535</u>
Total liabilities	<u>70,249,967</u>	<u>146,313</u>	<u>70,396,280</u>
<b>Deferred Inflows of Resources</b>			
Deferred revenue	<u>377,047</u>	-	<u>377,047</u>
<u>Net Position:</u>			
Invested in capital assets, net of related debt	9,541,167	5,891,154	15,432,321
Assigned for:			
Sick leave payable	437,615	-	437,615
Restricted for:			
Debt service	1,524,838	-	1,524,838
Unrestricted	1,628,757	34,150	1,662,907
Total net position	<u>\$ 13,132,377</u>	<u>\$ 5,925,304</u>	<u>\$ 19,057,681</u>

See accompany notes to financial statements.

**BARREN COUNTY BOARD OF EDUCATION  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2013**

Functions / Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business - Type Activities	Total
Governmental Activities:							
Instruction	\$ 27,504,514	\$ -	\$ 6,785,441	\$ -	\$ (20,719,073)	\$ -	\$ (20,719,073)
Support Services							
Student	1,284,116	-	-	-	(1,284,116)	-	(1,284,116)
Instruction staff	976,832	-	-	-	(976,832)	-	(976,832)
District administrative	1,746,555	-	-	-	(1,746,555)	-	(1,746,555)
School administrative	2,095,023	-	-	-	(2,095,023)	-	(2,095,023)
Business	718,141	-	-	-	(718,141)	-	(718,141)
Plant operations and maintenance	4,038,226	-	905,981	-	(3,132,245)	-	(3,132,245)
Student Transportation	3,266,509	-	22,886	-	(3,243,623)	-	(3,243,623)
Community service activities	331,411	-	-	-	(331,411)	-	(331,411)
Facilities acquisition and construction	-	-	-	1,632,206	1,632,206	-	1,632,206
Principal on long-term debt	-	-	-	476,805	476,805	-	476,805
Interest on long-term debt	2,344,118	-	-	258,857	(2,085,261)	-	(2,085,261)
Depreciation (unallocated)	2,086,508	-	-	-	(2,086,508)	-	(2,086,508)
Total governmental activities	<u>46,391,953</u>	<u>-</u>	<u>7,714,308</u>	<u>2,367,868</u>	<u>(36,309,777)</u>	<u>-</u>	<u>(36,309,777)</u>
Business-Type Activities							
Food Service	3,867,228	802,369	2,521,818	140,163	-	(402,878)	(402,878)
Adult Education	17,518	16,615	-	-	-	(903)	(903)
Total business-type activities	<u>3,884,746</u>	<u>818,984</u>	<u>2,521,818</u>	<u>140,163</u>	<u>-</u>	<u>(403,781)</u>	<u>(403,781)</u>
Total primary government	<u>\$ 50,276,699</u>	<u>\$ 818,984</u>	<u>\$ 10,236,126</u>	<u>\$ 2,508,031</u>	<u>\$ (36,309,777)</u>	<u>\$ (403,781)</u>	<u>\$ (36,713,558)</u>
				General Revenues:			
				Taxes:			
				Property taxes	\$ 8,096,567	\$ -	\$ 8,096,567
				Motor vehicle taxes	860,978	-	860,978
				Utilities	1,785,156	-	1,785,156
				Investments earnings	105,722	463	106,185
				State and formula grants	25,902,027	-	25,902,027
				Miscellaneous	571,155	-	571,155
				Total general revenues	<u>37,321,605</u>	<u>463</u>	<u>37,322,068</u>
				Change in net assets	1,011,828	(403,318)	608,510
				Net position - beginning	<u>12,120,549</u>	<u>6,328,622</u>	<u>18,449,171</u>
				Net position - ending	<u>\$ 13,132,377</u>	<u>\$ 5,925,304</u>	<u>\$ 19,057,681</u>

See accompany notes to financial statements.

**BARREN COUNTY BOARD OF EDUCATION  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2013**

	General Fund	Special Revenue	Construction Fund	Debt Service Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets and resources:						
Cash and cash equivalents	\$ 1,494,767	\$ -	\$ -	\$ -	\$ -	\$ 1,494,767
Accounts receivable:						
Taxes-current	296,652	-	-	-	-	296,652
Accounts receivable	350,263	-	-	-	-	350,263
Intergovernmental - indirect federal	-	795,131	-	-	-	795,131
Investments	-	-	-	12,490,043	-	12,490,043
Total assets and resources	<u>\$ 2,141,682</u>	<u>\$ 795,131</u>	<u>\$ -</u>	<u>\$ 12,490,043</u>	<u>\$ -</u>	<u>\$ 15,426,856</u>
Liabilities and fund balance:						
Liabilities:						
Checks issued in excess of deposits	\$ -	\$ 418,083	\$ -	\$ -	\$ -	\$ 418,083
Accounts payable	70,138	-	-	-	-	70,138
Deferred revenues	-	377,047	-	-	-	377,047
Total liabilities	<u>70,138</u>	<u>795,130</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>865,268</u>
Fund balances:						
Restricted						
Debt Service	-	-	-	12,490,043	-	12,490,043
Assigned						
Sick Leave Payable	437,615	-	-	-	-	437,615
Unassigned	1,633,929	-	-	-	-	1,633,929
Total fund balances	<u>2,071,544</u>	<u>-</u>	<u>-</u>	<u>12,490,043</u>	<u>-</u>	<u>14,561,587</u>
Total liabilities and fund balances	<u>\$ 2,141,682</u>	<u>\$ 795,130</u>	<u>\$ -</u>	<u>\$ 12,490,043</u>	<u>\$ -</u>	<u>\$ 15,426,855</u>

See accompany notes to financial statements.

**BARREN COUNTY BOARD OF EDUCATION  
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET POSITION  
June 30, 2013**

Total fund balance per fund financial statements \$ 14,561,587

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

Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position. 67,943,402

Bond discounts are not financial resources and therefore are not reported as assets in governmental funds balance sheet. The cost of the asset is \$573,264 and the accumulated amortization is \$190,131. 389,133

Certain liabilities (such as bonds payable, accrued sick leave and accrued interest) are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position. (69,761,745)

Net position for governmental activities \$ 13,132,377

**BARREN COUNTY BOARD OF EDUCATION**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2013**

	General Fund	Special Revenue	Construction Fund	Debt Service Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
From local sources:						
Taxes:						
Property	\$ 5,829,962	\$ -	\$ -	\$ -	\$ 2,266,605	\$ 8,096,567
Motor vehicles	860,978	-	-	-	-	860,978
Utilities	1,785,156	-	-	-	-	1,785,156
Earnings on investments	21,957	1,048	232	82,485	-	105,722
Fees	-	-	-	-	-	-
Other local revenues	471,791	472,426	7,500	-	-	951,717
Intergovernmental-state	25,796,904	2,125,015	-	735,662	2,065,761	30,723,342
Intergovernmental-indirect federal	-	4,660,426	-	92,000	-	4,752,426
Intergovernmental-direct federal	105,123	-	-	-	-	105,123
<b>Total revenues</b>	<b>34,871,871</b>	<b>7,258,915</b>	<b>7,732</b>	<b>910,147</b>	<b>4,332,366</b>	<b>47,381,031</b>
<b>Expenditures:</b>						
Instruction	21,281,486	6,223,028	-	-	-	27,504,514
Support services:						
Student	1,166,637	117,479	-	-	-	1,284,116
Instructional staff	940,626	36,206	-	-	-	976,832
District administration	1,145,275	601,280	-	-	-	1,746,555
School administration	2,095,023	-	-	-	-	2,095,023
Business	718,141	-	-	-	-	718,141
Plant operations and maintenance	4,107,714	-	-	-	-	4,107,714
Student transportation	3,263,592	2,917	-	-	-	3,266,509
Facilities and construction	102,709	-	300,343	-	-	403,052
Community service activities	-	331,411	-	-	-	331,411
Debt Service	-	-	-	5,908,380	-	5,908,380
<b>Total expenditures</b>	<b>34,821,203</b>	<b>7,312,321</b>	<b>300,343</b>	<b>5,908,380</b>	<b>-</b>	<b>48,342,247</b>
Excess (deficit) of revenues over expenditures	50,668	(53,406)	(292,611)	(4,998,233)	4,332,366	(961,216)
<b>Other financing sources (uses):</b>						
KISTA Reimbursement	22,886	-	-	-	-	22,886
Proceeds from sale of fixed assets	91,864	-	-	-	-	91,864
Receipt from Food Service	31,583	-	-	-	-	31,583
Transfer to Food Service	(16,502)	-	-	-	-	(16,502)
Operating transfers in	227,434	69,059	240,013	4,650,051	-	5,186,557
Operating transfers out	(815,960)	(38,220)	-	-	(4,332,377)	(5,186,557)
<b>Total other financing sources (uses)</b>	<b>(458,695)</b>	<b>30,839</b>	<b>240,013</b>	<b>4,650,051</b>	<b>(4,332,377)</b>	<b>129,831</b>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(408,027)	(22,567)	(52,598)	(348,182)	(11)	(831,385)
Fund balance, July 1, 2012	2,479,571	22,567	52,598	12,838,225	11	15,392,972
Fund balance, June 30, 2013	\$ 2,071,544	\$ -	\$ -	\$ 12,490,043	\$ -	\$ 14,561,587

See accompany notes to financial statements.



**BARREN COUNTY BOARD OF EDUCATION  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
June 30, 2013**

	Food Service Fund	Community Adult Education Fund	Total
<b>Assets</b>			
<u>Current Assets</u>			
Cash and cash equivalents	\$ -	\$ 5,791	\$ 5,791
Inventory	28,959	-	28,959
Accounts receivable			
Accounts receivable	<u>145,713</u>	<u>-</u>	<u>145,713</u>
Total current assets	<u>174,672</u>	<u>5,791</u>	<u>180,463</u>
<b>Noncurrent</b>			
Capital assets	9,396,694	-	9,396,694
Less: accumulated depreciation	<u>(3,505,540)</u>	<u>-</u>	<u>(3,505,540)</u>
Total noncurrent assets	<u>5,891,154</u>	<u>-</u>	<u>5,891,154</u>
Total assets	<u>6,065,826</u>	<u>5,791</u>	<u>6,071,617</u>
<b>Liabilities</b>			
<u>Current Liabilities</u>			
Checks issued in excess of deposits	143,059	-	143,059
Accounts payable	<u>2,654</u>	<u>600</u>	<u>3,254</u>
Total current liabilities	<u>145,713</u>	<u>600</u>	<u>146,313</u>
<b>Net Position</b>			
Invested in capital assets net of related debt	5,891,154	-	5,891,154
Unrestricted	<u>28,959</u>	<u>5,191</u>	<u>34,150</u>
Total net position	<u>\$ 5,920,113</u>	<u>\$ 5,191</u>	<u>\$ 5,925,304</u>

**BARREN COUNTY BOARD OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2013**

	Food Service Fund	Community Adult Education Fund	Total
Operating Revenues:			
Community service activities	\$ -	\$ 16,615	\$ 16,615
Lunchroom sales	<u>802,369</u>	<u>-</u>	<u>802,369</u>
Total operating revenues	<u>802,369</u>	<u>16,615</u>	<u>818,984</u>
Operating Expenses:			
Salaries and wages	1,924,830	14	1,924,844
Professional and contract services	126,416	-	126,416
Material and supplies	1,543,851	17,504	1,561,355
Depreciation	<u>272,131</u>	<u>-</u>	<u>272,131</u>
Total operating expenses	<u>3,867,228</u>	<u>17,518</u>	<u>3,884,746</u>
Operating income (loss)	<u>(3,064,859)</u>	<u>(903)</u>	<u>(3,065,762)</u>
Non-Operating Revenues (Expenses)			
Federal grants	1,767,040	-	1,767,040
Donated commodities	140,163	-	140,163
State grants & funding	769,859	-	769,859
Fund Transfer Out	(31,583)	-	(31,583)
Fund Transfer In	16,502	-	16,502
Interest income	<u>463</u>	<u>-</u>	<u>463</u>
Total non-operating revenues	<u>2,662,444</u>	<u>-</u>	<u>2,662,444</u>
Net income (loss)	(402,415)	(903)	(403,318)
Net position, July 1, 2012	<u>6,322,528</u>	<u>6,094</u>	<u>6,328,622</u>
Net position, June 30, 2013	<u>\$ 5,920,113</u>	<u>\$ 5,191</u>	<u>\$ 5,925,304</u>

See accompany notes to financial statements.

**BARREN COUNTY BOARD OF EDUCATION  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2013**

	Food Service Fund	Communitiy Adult Education Fund	Total
<b>Cash Flows From Operating Activities:</b>			
Cash received from:			
Community service activities	\$ -	\$ 16,615	\$ 16,615
Lunchroom sales	802,369	-	802,369
Cash paid to/for			
Employees	(1,228,703)	(14)	(1,228,717)
Supplies	(1,494,188)	(16,034)	(1,510,222)
Other activities	(126,416)	-	(126,416)
Net cash provided (used) by operating activities	<u>(2,046,938)</u>	<u>567</u>	<u>(2,046,371)</u>
<b>Cash Flows from Noncapital Financing Activites</b>			
Government Grants	<u>1,663,921</u>	<u>-</u>	<u>1,663,921</u>
<b>Cash Flows from Investing Activities:</b>			
Receipt of interest income	<u>463</u>	<u>-</u>	<u>463</u>
Net increase (decrease) in cash and cash equivalents	(382,554)	567	(381,987)
Balances, beginning of year	<u>382,554</u>	<u>5,224</u>	<u>387,778</u>
Balances, end of year	<u>\$ -</u>	<u>\$ 5,791</u>	<u>\$ 5,791</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>			
Operating income (loss)	\$ (3,064,859)	\$ (903)	\$ (3,065,762)
<b>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities</b>			
On-Behalf Payments Received	696,127	-	696,127
Transfer from General Fund	(15,081)	-	(15,081)
Commodities Used	154,673	-	154,673
Depreciation	272,131	-	272,131
<b>Change in assets and liabilities</b>			
Increase in checks issued in excess	143,059	-	143,059
Inventory	14,510	-	14,510
Accounts receivable	(131,292)	1,120	(130,172)
Accounts payable	(116,206)	350	(115,856)
Net cash provided (used) by operating activities	<u>\$ (2,046,938)</u>	<u>\$ 567</u>	<u>\$ (2,046,371)</u>
<b>Schedule of non-cash transactions:</b>			
On Behalf Payments	<u>\$ 696,127</u>		
Donated commodities received from federal government	<u>\$ 154,673</u>		

See accompany notes to financial statements.

**BARREN COUNTY BOARD OF EDUCATION  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
June 30, 2013**

	Fiscal Agent Funds	Agency Funds
<b>Assets</b>		
Cash and cash equivalents	\$ -	\$ 734,934
Accounts receivable	10,041	2,958
Total assets	10,041	737,892
<b>Liabilities</b>		
Checks issued in excess of deposits	8,545	-
Accounts payable	1,496	33,335
Due to student groups	-	704,557
Total liabilities	10,041	737,892
Net Position Held in Trust	\$ -	\$ -

**BARREN COUNTY BOARD OF EDUCATION  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
For the Year Ended June 30, 2013**

	Fiscal Agent Fund
Additions	
Fees	\$ 184,685
Other local revenue	9,301
State funding	60,548
Total Additions	254,534
Deductions	
Salaries and benefits	254,508
Miscellaneous	50,026
Total deductions	304,534
Changes in net position	(50,000)
Net position, beginning of year	50,000
Net position, end of year	\$ -

**BARREN COUNTY BOARD OF EDUCATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

1. Summary of Significant Accounting Policies:

Reporting Entity

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

The District, for financial purposes, includes all of the funds and account groups relevant to the operations of the Barren 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 District is not involved in budgeting or managing these organizations, is not responsible for any debt of the organizations, and has no influence over the operations of these organizations.

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

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

Barren County Board of Education Finance Corporation . On July 23, 1991, the Board of Education resolved to authorize the establishment of the Barren County Board of Education Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.190) (the "Corporation") as an agency for District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors.

Basis of Presentation

District-wide Financial Statements . The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the District, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

**BARREN COUNTY BOARD OF EDUCATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

1. Summary of Significant Accounting Policies, Continued:

Basis of Presentation Continued

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

In the District-wide Financial Statement of Net Position and Statement of Activities both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic assets is used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

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 position. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The Statement of Cash Flows provides information about how the District finances and meets the cash flow needs of its proprietary activities. The District has the following funds:

I. Governmental Fund Types

- a. The General Fund is the primary operating fund of the District and is always classified as a major fund. It accounts for financial resources used for general types of operations. This is a budgeted fund, and for any unrestricted fund balances are considered as resources available for use.
- 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. The Kentucky Department of Education had deemed this fund to always be classified as a major fund.

**BARREN COUNTY BOARD OF EDUCATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

1. Summary of Significant Accounting Policies, Continued:

Basis of Presentation Continued

I. Government Fund Types, 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 Funds).

1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.

2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.

3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.

d. Debt Service Funds

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)

a. 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 contributions of commodities from the USDA. The Food Service Fund is a major fund. The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

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

a. The Agency fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.

b. The Private Purpose Trust Funds are used to report trust arrangements under which principal and income benefit individuals, private organizations or other governments.

**BARREN COUNTY BOARD OF EDUCATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

1. Summary of Significant Accounting Policies, Continued:

Basis of Presentation Continued

*District-Wide Financial Statements*

Equity is classified as net position and displayed in three components:

- Invested in Capital Assets, Net of Related Debt . Consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributed to the acquisition, construction or improvement of those assets.
- Restricted Net Position . Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors or laws or regulations, or 2) law through constitutional provisions or enabling legislation.
- Unrestricted Net Position . All other net positions that do not meet the definition of ~~restricted~~ or ~~invested in capital assets, net of related debt~~.

*Fund Financial Statements*

Under GASB 54, fund balance is separated into five categories, as follows:

- Nonspendable - Permanently nonspendable by decree of the donor, such as endowment, or items which may not be used for another purpose, such as amounts used to prepay future expenses or already purchased inventory on hand.
- Restricted . Legally restricted under federal or state law, bond authority, or grantor contract.
- Committed . Commitments passed by the Board.
- Assigned . Funds assigned to management priority including issued encumbrances.
- Unassigned . Funds available for future operations.

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

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 accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

**BARREN COUNTY BOARD OF EDUCATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

1. Summary of Significant Accounting Policies, Continued:

Basis of Accounting, Continued

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 first year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transaction 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.

In order to present the Special Revenue Fund on the accrual basis of accounting, and because the awards are not yet available as assets, cash awards received in advance for the 2013-2014 school year have been classified as deferred revenues. Likewise, all awards requested as a result of the 2012-2013 expenditures have been classified as receivables. Revenues of the Special Revenue Fund are considered earned when reimbursed expenditures are made or obligations are incurred, and of equal amount.

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.

**BARREN COUNTY BOARD OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013**

1. 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 60 days after 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 \$.591 per \$100 valuation for real property, \$.591 per \$100 valuation for business personal property and \$.492 per \$100 valuation for motor vehicles.

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

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 infrastructures. Improvements are capitalized; the cost of normal maintenance and repairs that do not add value to the asset or materially extend an asset's life are not.

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

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

**BARREN COUNTY BOARD OF EDUCATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

1. 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 receivable/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-like activities, which are presented as internal balances.

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave and has no maximum accumulation.

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 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 statements.

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using the 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.

Budgetary Process

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

**BARREN COUNTY BOARD OF EDUCATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

1. Summary of Significant Accounting Policies, Continued:

Inventories

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

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.

Investments

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

The permanent funds record investments at their quoted market value prices for purposes of the Statement of Net Position. All realized gains and losses and changes in fair market value are recorded in the Statement of Activities. Long-term investments are not recorded on the fund financial statements nor are unrealized gains and losses.

Accrued Liabilities and Long-Term Obligations

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

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

Operating Revenues and Expenses

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

**BARREN COUNTY BOARD OF EDUCATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

1. Summary of Significant Accounting Policies, Continued:

On-Behalf Payments

During the year ended June 30, 2013, the Kentucky Division of Finance made payments on behalf of Barren County Board of Education in amount of \$8,364,203. These payments were paid for fringe benefits and retirement for the District personnel. These payments have been included in both revenue and expenditures on the Board's financial statements for the year ended June 30, 2013.

Contributions of Capital

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

Donated Commodities

The fair value of donated commodities received during the year is reported in the Proprietary Fund Statement of Revenues, Expenditures and Changes in Net Position as an expense and as donated commodities revenue (nonoperating revenue).

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 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.

2. Estimates:

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

3. Deferred Outflows/Inflows of Resources:

The District adopted GASB No. 63 during the year, and in addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The District has unamortized discounts on bonds that qualify for reporting in this category in the amount of \$389,133.

**BARREN COUNTY BOARD OF EDUCATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

3. Deferred Outflows/Inflows of Resources, Concluded:

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has Deferred Revenue of \$377,047 that qualifies for reporting in this category.

4. Cash Deposits and Investments:

At year end, the carrying amount of the District's total investments and cash equivalents net of checks issued in excess of deposits was \$1,665,805. These amounts were covered by Federal Depository Insurance or by securities pledged by the financial institution.

The Kentucky Legislature has placed limitations in investments and investment policy. No more than 20% can be invested in one or more of the following categories; uncollateralized certificates of deposit, bankers' acceptances, commercial paper, or securities issued by a state or local government at any one time. The District has no investment policy that would further limit its investment choices. Cash equivalents are funds with maturity of 90 days or less. The following is a schedule summarizing the District's investments and cash equivalents net of checks issued in excess of deposits at June 30, 2013.

<u>Type</u>	<u>Fair Values</u>	<u>Cash Equivalents (Net)</u>
Federal Home Loan Mortgage Co.	1,524,831	-
US Treasury Notes	10,965,210	-
Cash and other Deposits	1,382,263	1,382,263
Certificates of Deposit	283,544	283,544
Total	<u>\$14,155,848</u>	<u>\$ 1,665,807</u>

Interest Rate Risk

The District regularly reviews investment amounts, rates, duration and current market values of the funds invested. As a means of managing the District's exposure to fair value losses arising from increasing interest rates, the District primarily purchases investments with a maturity of less than three months. No investments in Money Market Accounts or Certificates of Deposit were in excess of federally insured limits.

Concentration of Credit Risk

The District places no limit on the amount that may be invested in any one issuer. More than 10% of the District's investments are in the Federal Home Loan Mortgage Co and more than 76% is in US Treasury Notes. These investments are 100% of the District's total investments.

**BARREN COUNTY BOARD OF EDUCATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

5. Capital Assets:

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

	Balance July 1, 2012	Additions	Disposals	Balance June 30, 2013
<b>Governmental Activities</b>				
Capital Assets, not being Depreciated:				
Land	\$ 1,985,095	\$ -	\$ -	\$ 1,985,095
Construction in Progress	4,903,116	145,747	(5,048,863)	-
Total Capital Assets, not being Depreciated	<u>6,888,211</u>	<u>145,747</u>	<u>(5,048,863)</u>	<u>1,985,095</u>
Capital Assets, being Depreciated:				
Buildings & Equipment	81,396,182	5,048,863	-	86,445,045
Technology Equipment	2,119,048	86,239	(539,787)	1,665,500
Technology Equipment - Adult Ed	61,548	-	(13,609)	47,939
Vehicles	5,594,016	682,735	(292,134)	5,984,617
General Equipment	2,221,404	14,182	-	2,235,586
Total Capital Assets, being Depreciated	<u>91,392,198</u>	<u>5,832,019</u>	<u>(845,530)</u>	<u>96,378,687</u>
Less Accumulated Depreciation:				
Buildings & Equipment	(22,015,729)	(1,608,558)	-	(23,624,287)
Technology Equipment	(1,990,120)	(58,904)	539,787	(1,509,237)
Technology Equipment - Adult Ed	(61,093)	(454)	13,608	(47,939)
Vehicles	(3,365,627)	(367,868)	292,134	(3,441,361)
General Equipment	(1,746,832)	(50,724)	-	(1,797,556)
Total Accumulated Depreciation	<u>(29,179,401)</u>	<u>(2,086,508)</u>	<u>845,529</u>	<u>(30,420,380)</u>
Governmental Activities Capital Assets - Net	<u>\$ 69,101,008</u>	<u>\$ 3,891,258</u>	<u>\$ (5,048,864)</u>	<u>\$ 67,943,402</u>
<b>Proprietary Activities</b>				
Capital Assets, being Depreciated:				
Buildings & Equipment	\$ 7,322,067	\$ -	\$ -	\$ 7,322,067
Technology Equipment	9,790	-	-	9,790
Vehicles	7,000	100	-	7,100
General Equipment	1,895,496	162,241	-	2,057,737
Total Capital Assets being Depreciated	<u>9,234,353</u>	<u>162,341</u>	<u>-</u>	<u>9,396,694</u>
Less Accumulated Depreciation:				
Buildings & Equipment	(2,036,400)	(146,229)	-	(2,182,629)
Technology Equipment	(9,790)	-	-	(9,790)
Vehicles	(1,065)	(1,420)	-	(2,485)
General Equipment	(1,186,154)	(124,482)	-	(1,310,636)
Total Accumulated Depreciation	<u>(3,233,409)</u>	<u>(272,131)</u>	<u>-</u>	<u>(3,505,540)</u>
Proprietary Activities Capital Assets - Net	<u>\$ 6,000,944</u>	<u>\$ (109,790)</u>	<u>\$ -</u>	<u>\$ 5,891,154</u>

Depreciation expense was not allocated to governmental functions. It appears on the statement of activities as %unallocated+.

**BARREN COUNTY BOARD OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013**

6. Bonded Debt and Lease Obligations:

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

<u>Issue</u>	<u>Original Amount</u>	<u>Maturity Date</u>	<u>Interest Rates</u>
Issue of 2001 (Barren Co. High School)	\$ 1,457,600	July 1, 2014	-
Issue of 2002 (Refunding of 1993)	\$ 3,370,000	March 1, 2013	1.9% - 3.95%
Issue of 2004	\$ 14,120,000	August 1, 2024	3.5% - 5.00%
Issue of 2005 (Refunding of 1996)	\$ 2,810,000	August 1, 2016	3.0% - 3.7%
Issue of 2006	\$ 12,040,000	August 1, 2016	3.5% - 4.375%
Issue of 2008 A	\$ 1,270,000	October 1, 2025	2.4% - 4.375%
Issue of 2008 B	\$ 10,210,000	September 1, 2028	3.0% - 4.875%
Issue of 2008 Energy	\$ 1,740,000	September 1, 2017	2.5% - 4.5%
Issue of 2009 (Refunding of 98)	\$ 6,435,000	October 1, 2018	2.0% - 3.0%
Issue of 2010 (Refunding of 2001)	\$ 3,645,000	June 1, 2021	2.0% - 2.75%
Issue of 2010 (Refunding of 2002)	\$ 4,580,000	February 1, 2022	.7% - 3.1%
Issue of 2010	\$ 1,920,000	December 1, 2030	1.0% - 4.125%
Issue of 2011	\$ 3,085,000	March 1, 2029	1.0% - 3.5%
Issue of 2011 QZAB	\$ 2,000,000	September 1, 2028	4.75%
Issue of 2012 (Refunding of 2004)	\$ 11,620,000	August 1, 2024	3.8% - 5.0%

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

In July, 2001, the Board approved issuance of Qualified Zone Academy Bonds in the amount of \$1,457,600. This required an initial investment by the School District of \$817,320, which at maturity in 2014, will be sufficient to defease the total principal. This \$817,320 investment is included on the financial statement as restricted debt service fund balance at market value of \$1,431,537.

In October, 2002, the Board approved the issuance of refunding revenue bonds in the amount of \$3,370,000. These proceeds were used to call the remainder of the outstanding bonds of the issue of 1993.

In August, 2004, the Board issued bonds in the amount of \$14,120,000. These funds were used in the construction of elementary schools. This issue was refinanced with the 2012 issue; however, the proceeds remain in escrow and will be paid out through fiscal year 2015.

In February, 2005, the Board approved the issuance of refunding revenue bonds in the amount of \$2,810,000. The proceeds were used to call the remainder of the outstanding bonds of the issue of 1996.

In August, 2006, the Board issued bonds in the amount of \$12,040,000. These funds were used in the construction of the Trojan Academy.

In August, 2008, the Board issued revenue bonds in the amount of \$1,270,000. These funds were used in the completion of Trojan Academy.

**BARREN COUNTY BOARD OF EDUCATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

6. Bonded Debt and Lease Obligations:

On September 11, 2008 the District issued energy conservation revenue bonds, Series 2008, in the amount of \$1,740,000.

On September 17, 2008 the District issued school building revenue bonds, Series 2008B, in the amount of \$10,210,000. The bonds were issued to finance the construction of North Jackson Elementary School.

In January, 2009, the Board approved the issuance of refunding revenue bonds in the amount of \$6,435,000. These proceeds were used to call the remainder of the outstanding bonds of the issue of 1998.

In August, 2010, the Board approved the issuance of refunding revenue bonds in the amount of \$3,645,000. These proceeds were used to call the remainder of the outstanding bonds of the issue of 2001.

In August, 2010, the Board approved the issuance of refunding revenue bonds in the amount of \$4,580,000. These proceeds were used to call the remainder of the outstanding bonds of the issue of 2002.

In November, 2010, the District issued school building revenue bonds, Series 2010, in the amount of \$1,920,000. The bonds were issued to finance the construction for the expansion of North Jackson Elementary School.

In August, 2011, the District issued school building revenue bonds, Series 2011, in the amount of \$3,085,00. The bonds were issued to finance the construction for the expansion at the Barren County High School as well as the ROTC facility.

In August, 2011, the Board approved issuance of Qualified Zone Academy Bonds in the amount of \$2,000,000. The bonds were also issued to finance the construction for the expansion at the Barren County High School as well as the ROTC facility.

In February, 2012, the board approved the issuance of refunding revenue bonds in the amount \$11,620,000. The proceeds were used to call the remainder of the outstanding bonds of the issue of 2004.

In 1991, the District entered into ~~participation~~ participation agreements with the Kentucky School Facility Construction Commission. The Commission was created by Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The District also entered into ~~participation~~ participation agreements with the Internal Revenue Service (IRS). Section 54A of the Internal Revenue Code provide rules for the issuance and use of qualified tax credit bonds for qualified zone academy bonds, QZAB. The table below sets forth the amount to be paid by the District as well as the Commission and IRS for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and as such, the total principal outstanding has been recorded in the financial statements.

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

**BARREN COUNTY BOARD OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013**

6. Bonded Debt and Lease Obligations, Continued:

Year	Principal	Interest	Participation	District's Portion
2013-14	2,890,000	2,339,098	609,584	4,619,514
2014-15	14,702,600	2,016,309	594,933	16,123,976
2015-16	3,040,000	1,691,691	594,934	4,136,757
2016-17	3,115,000	1,606,659	576,910	4,144,749
2017-18	3,165,000	1,518,547	537,069	4,146,478
2018-19	3,225,000	1,423,300	495,523	4,152,777
2019-20	3,205,000	1,328,843	379,574	4,154,269
2020-21	3,310,000	1,228,958	379,574	4,159,384
2021-22	3,425,000	1,117,249	379,573	4,162,676
2022-23	3,550,000	990,628	379,573	4,161,055
2023-24	3,680,000	865,878	379,572	4,166,306
2024-25	3,805,000	734,584	372,089	4,167,495
2025-26	3,675,000	588,524	354,908	3,908,616
2026-27	3,800,000	423,843	323,300	3,900,543
2027-28	2,130,000	291,045	200,860	2,220,185
2028-29	4,035,000	144,707	144,652	4,035,055
2029-30	500,000	41,161	64,254	476,907
2030-31	505,000	21,876	50,303	476,573
2031-32	310,000	6,006	-	316,006
	<u>\$ 66,067,600</u>	<u>\$ 18,378,906</u>	<u>\$ 6,817,185</u>	<u>\$ 77,629,321</u>

Long-term debt activities for the year ended June 30, 2013, are as follows:

	Balance June 30, 2012	Additions	Debt Payments and Reductions	Balance June 30, 2013	Amount Due Within One Year
Series 2001	1,457,600	-	-	1,457,600	-
Series 2002 Ref 93	415,000	-	415,000	-	-
Series 2004	11,550,000	-	420,000	11,130,000	415,000
Series 2005 Ref 96	1,305,000	-	245,000	1,060,000	250,000
Series 2006	10,970,000	-	235,000	10,735,000	250,000
Series 2008A	1,125,000	-	40,000	1,085,000	40,000
Series 2008B	9,475,000	-	260,000	9,215,000	270,000
Series 2008 Energy	1,640,000	-	40,000	1,600,000	45,000
Series 2009	4,820,000	-	635,000	4,185,000	675,000
Series 2010 Ref 01	3,350,000	-	195,000	3,155,000	340,000
Series 2010 Ref 02	4,470,000	-	215,000	4,255,000	285,000
Series 2010	1,870,000	-	50,000	1,820,000	45,000
Series 2011	3,085,000	-	125,000	2,960,000	130,000
Series 2011 QZAB	2,000,000	-	-	2,000,000	-
Series 2012	11,620,000	-	210,000	11,410,000	145,000
	<u>\$ 69,152,600</u>	<u>\$ -</u>	<u>\$ 3,085,000</u>	<u>\$66,067,600</u>	<u>\$ 2,890,000</u>

**BARREN COUNTY BOARD OF EDUCATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

6. Bonded Debt and Lease Obligations, Concluded:

Capitalization of Interest

Interest costs incurred during construction are capitalized, net of interest income from proceeds of tax-exempt debt as part of the cost of the related assets of the District. Interest capitalized for the year ended June 30, 2013 was \$25,024.

7. Capital Lease Payable:

The following is an analysis of the leased property under capital lease by class:

Class of Property	Book Value as of June 30, 2013
Buses, at cost	\$ 4,057,473
Accumulated Depreciation	<u>1,594,410</u>
Net Book Value	<u><u>\$ 2,463,063</u></u>

The following is a schedule by years of the furniture minimum lease payments under capital lease together with the present value of the net minimum lease payments as of June 30, 2013:

Year Ending June 30	Capital Lease Payable
2014	\$ 465,906
2015	428,662
2016	398,338
2017	349,291
2018	290,870
Thereafter	<u>891,527</u>
Total Minimum Lease Payments	2,824,594
Less: Amount representing interest	<u>(301,984)</u>
Present Value of Net Minimum Lease Payments	<u><u>\$ 2,522,610</u></u>

8. Commitments Under Noncapitalized Leases:

Commitments under operating lease agreements for office equipment provide for minimum future rental payments as of June 30, 2013, as follows:

Year ending June 30:	
2014	\$ <u>102,603</u>
Total Minimum Rentals	<u><u>\$ 102,603</u></u>

Operating lease expense for the year ended June 30, 2013 was \$103,868.

**BARREN COUNTY BOARD OF EDUCATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

9. Retirement Plans:

The Barren County Board of Education contributes to the Teachers Retirement System of Kentucky (KTRS), as 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 publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing to Kentucky Teachers Retirement System, 479 Versailles Road, Frankfort, KY 40601.

Contribution rates are established by KRS. Members are required to contribute 10.355% of their salaries to KTRS. Effective July 1, 2008, new members are required to contribute 10.855% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.605% of salaries to those hired before July 1, 2008 and 14.104% of salaries to those hired after July 1, 2008. The federal program for any salaries paid by that program pays the matching contributions. KRS requires that members of KTRS occupy a position requiring either four (4) year college degree or certification by KY Department of Education (KDE).

Substantially all other employees (classified personnel) are covered under the County Employees Retirement System (CERS), a cost sharing, multiple-employer, and public employees retirement system. Funding for the Plan is provided through payroll withholdings of 5.00% and a District contribution of 19.55% of the employees total compensation subject to contribution. Effective September 1, 2008, new members are required to contribute 6% of their salaries.

The Districts total payroll for the year was \$27,977,850. The payroll for employees covered under KTRS was \$20,392,216 and for CERS was \$7,556,571. For the year ended June 30, 2013, the Commonwealth contributed \$2,048,933 to KTRS for the benefit of our participating employees.

The contribution requirement for CERS for the year ended June 30, 2013, was \$1,596,765 which consisted of \$1,263,723 from the Board and \$333,042 from the employees. The Board paid \$289,002 from federal grant monies to KTRS in matching contributions for federally funded employees.

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

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

KTRS and CERS do not make separate measurements of assets and pension benefits obligation for individual employers. The following table presents certain information regarding the Plans status as a whole, derived from actuarial valuations performed as of the dates indicated:

**BARREN COUNTY BOARD OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013**

9. Retirement Plans:

	<b>CERS as of June 30, 2012</b>	<b>CERS as of June 30, 2011</b>
	(In Thousands)	
Assets available for benefits, at fair value	\$ 7,294,615	\$ 7,409,156
Pension benefit obligation	12,149,560	11,777,126
(Under funded)/over funded pension benefit obligations	<u>\$ (4,854,945)</u>	<u>\$ (4,367,970)</u>

The following table presents the last three years of the total of all employer contributions to the Plan and the District's contributions for the year ended June 30:

**Total Plan Contributions CERS**

	Annual Required Contributions	Actual Contributions	Percentage Contributed
<u>Fiscal Year Ended</u>	<u>Contributions</u>	<u>Contributions</u>	<u>Contributed</u>
2012	\$476,185,027	\$447,661,027	94.01%
2011	\$432,414,052	\$435,404,150	100.69%
2010	\$453,055,709	\$382,839,930	84.50%

**District's Contributions CERS**

	Annual Required Contributions	Actual Contributions	Percentage Contributed
<u>Fiscal Year Ended</u>	<u>Contributions</u>	<u>Contributions</u>	<u>Contributed</u>
2013	\$ 1,263,723	\$ 1,263,723	100.00%
2012	\$ 1,191,192	\$ 1,191,192	100.00%
2011	\$ 1,034,282	\$ 1,034,282	100.00%

	<b>KTRS as of June 30, 2012</b>	<b>KTRS as of June 30, 2011</b>
	(In Thousands)	
Assets available for benefits, at fair value	\$ 14,691,400	\$ 14,908,100
Pension benefit obligation	26,973,900	25,968,700
(Under funded)/over funded pension benefit obligations	<u>\$ (12,282,500)</u>	<u>\$ (11,060,600)</u>

**BARREN COUNTY BOARD OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013**

9. Retirement Plans:

**Total Plan Contributions KTRS**

<u>Fiscal Year Ended</u>	Annual <u>Required Contributions</u>	Actual <u>Contributions</u>	Percentage <u>Contributed</u>
June 30, 2012	\$ 757,822,190	\$ 557,339,552	74%
June 30, 2011	\$ 678,700,000	\$ 1,038,411,000	153%
June 30, 2010	\$ 633,900,000	\$ 481,764,000	76%

**District's Contributions KTRS**

<u>Fiscal Year Ended</u>	Annual <u>Required Contributions</u>	Actual <u>Contributions</u>	Percentage <u>Contributed</u>
June 30, 2013	\$ 2,337,935	\$ 2,337,935	100.00%
June 30, 2012	\$ 2,819,155	\$ 2,819,155	100.00%
June 30, 2011	\$ 2,666,305	\$ 2,666,305	100.00%

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

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

The District also offers employees the option to participate in a defined contribution plan under Section 403(B), 401(K) and 457 of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum amount allowable by law. The District does not contribute to these plans. For the year ended June 30, 2013, employees contributed approximately \$166,303 to the plan.

10. Medical Insurance Plan:

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

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

**BARREN COUNTY BOARD OF EDUCATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

10. Medical Insurance Plan, Concluded:

Funding Policy . The post-retirement healthcare provided by KTRS is financed on a pay-as-you-go basis. In order to fund the post-retirement healthcare benefit, 1.5% of the gross annual payroll of all members before July1, 2008 is contributed. One-half (1/2) of this amount is derived from member contribution and one-half (1/2) from State appropriation. Members joining the Plan after July 1, 2008 contribute an additional 1% to the medical insurance fund. Also, the premiums collected from retirees as described in the Plan description and investment interest help meet the medical expenses of the Plan.

11. 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 governmental agency grants, if based upon the grantor's review, the funds are considered not to have been used for the intended purpose, the grantor may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantor's satisfaction that the funds provided are being spent as intended and the grantor's intent to continue their programs.

In addition, the District operates in a heavily regulated environment. The operations of the District are subject to the administrative directive, rules and regulations of federal and state regulatory agencies, including, but not limited to, the U.S. Department of Education and the Kentucky Department of Education. Such administrative directives, rules and regulations are subject to change by an act of Congress or the Kentucky Legislature or an administrative change mandated by the Kentucky Department of Education. Such changes may occur with little or inadequate funding to pay for the related cost, including the additional burden to comply with change.

12. Insurance and Related Activities:

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

**BARREN COUNTY BOARD OF EDUCATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

13. Risk Management:

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. To obtain insurance for workers compensation, errors and omissions and general liability coverage, the District 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 districts 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 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 notice. 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 member on a pro rata basis.

The District purchases unemployment insurance through 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 risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

14. 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).

15. 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>
Capital Outlay	General	Facilities	\$ 189,214
Food Service	General	Facilities	\$ 31,583
General	Special Revenue	KETS Match	\$ 69,059
General	Construction	Construction	\$ 240,013
General	Food Service	Operations	\$ 16,502
Special Revenue	General	Indirect Costs	\$ 38,220
Capital Outlay	Debt Service	Debt	\$ 4,143,163
General	Debt Service	Debt-KISTA	\$ 399,127
General	Debt Service	Debt	\$ 107,761

16. Litigation:

The District is subject to various legal actions in various stages of litigation, the outcome of which is not determined 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.

**BARREN COUNTY BOARD OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013**

17. Subsequent Events:

Subsequent events were evaluated by management through November 6, 2013, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**BARREN COUNTY BOARD OF EDUCATION**  
**STATEMENT 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	\$ 5,751,248	\$ 5,751,248	\$ 5,829,962	\$ 78,714
Motor vehicles	855,000	855,000	860,978	5,978
Utilities	1,760,000	1,760,000	1,785,156	25,156
Earnings on investments	25,000	25,000	21,957	(3,043)
Other local revenues	311,000	311,000	471,791	160,791
Intergovernmental-state	18,858,153	18,858,153	25,796,904	6,938,751
Intergovernmental-direct federal	70,000	70,000	105,123	35,123
Total revenues	<u>27,630,401</u>	<u>27,630,401</u>	<u>34,871,871</u>	<u>7,241,470</u>
Expenditures:				
Instruction	16,759,870	16,759,870	21,281,486	(4,521,616)
Support services:				
Student	924,369	924,369	1,166,637	(242,268)
Instructional staff	775,263	775,263	940,626	(165,363)
District administration	2,695,482	2,695,482	1,145,275	1,550,207
School administration	1,786,635	1,786,635	2,095,023	(308,388)
Business	630,566	630,566	718,141	(87,575)
Plant operations and maintenance	3,209,968	3,209,968	4,107,714	(897,746)
Student transportation	2,513,226	2,513,226	3,263,592	(750,366)
Facilities acquisition and construction	104,277	104,277	102,709	1,568
Total expenditures	<u>29,399,656</u>	<u>29,399,656</u>	<u>34,821,203</u>	<u>(5,421,547)</u>
Excess (deficit) of revenues over expenditures	<u>(1,769,255)</u>	<u>(1,769,255)</u>	<u>50,668</u>	<u>1,819,923</u>
Other financing sources (uses):				
Proceeds from sale of fixed assets	26,000	26,000	91,864	65,864
KISTA reimbursement	-	-	22,886	22,886
Transfer to proprietary fund, net	-	-	15,081	15,081
Operating transfers in	273,234	273,234	227,434	(45,800)
Operating transfers out	(616,888)	(616,888)	(815,960)	(199,072)
Total other financing sources (uses)	<u>(317,654)</u>	<u>(317,654)</u>	<u>(458,695)</u>	<u>(141,041)</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(2,086,909)	(2,086,909)	(408,027)	1,678,882
Fund balance, July 1, 2012	<u>2,479,571</u>	<u>2,479,571</u>	<u>2,479,571</u>	-
Fund balance, June 30, 2013	<u>\$ 392,662</u>	<u>\$ 392,662</u>	<u>\$ 2,071,544</u>	<u>\$ 1,678,882</u>

**BARREN COUNTY BOARD OF EDUCATION**  
**STATEMENT 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 with
	Original	Final		Final Budget
				Favorable (Unfavorable)
Revenues:				
From local sources:				
Earnings on investments	\$ -	\$ -	\$ 1,048	\$ 1,048
Fees	-	-	-	-
Other local revenues	424,504	424,504	472,426	47,922
Intergovernmental-state	2,142,212	2,142,212	2,125,015	(17,197)
Intergovernmental-indirect federal	5,563,683	5,563,683	4,660,426	(903,257)
Total revenues	<u>8,130,399</u>	<u>8,130,399</u>	<u>7,258,915</u>	<u>(871,484)</u>
Expenditures:				
Instruction	6,270,807	6,270,807	6,223,028	47,779
Student	159,864	159,864	117,479	42,385
Instructional staff	385,352	385,352	36,206	349,146
District administration	1,100,346	1,100,346	601,280	499,066
Plant operations and maintenance	-	-	-	-
Student transportation	13,328	13,328	2,917	10,411
Community service activities	331,411	331,411	331,411	-
Total expenditures	<u>8,261,108</u>	<u>8,261,108</u>	<u>7,312,321</u>	<u>(948,787)</u>
Excess (deficit) of revenues over expenditures	<u>(130,709)</u>	<u>(130,709)</u>	<u>(53,406)</u>	<u>77,303</u>
Other financing sources (uses):				
Operating transfers in	80,000	80,000	69,059	(10,941)
Operating transfers out	-	-	(38,220)	(38,220)
Total other financing sources (uses)	<u>80,000</u>	<u>80,000</u>	<u>30,839</u>	<u>(49,161)</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(50,709)	(50,709)	(22,567)	28,142
Fund balance, July 1, 2012	<u>22,567</u>	<u>22,567</u>	<u>22,567</u>	<u>-</u>
Fund balance, June 30, 2013	<u>\$ (28,142)</u>	<u>\$ (28,142)</u>	<u>\$ -</u>	<u>\$ 28,142</u>

## SUPPLEMENTARY INFORMATION

**BARREN COUNTY BOARD OF EDUCATION  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 June 30, 2013**

	Seek Capital Outlay Fund	Building Fund	Total Nonmajor Governmental Funds
Assets and resources:			
Cash and cash equivalents	\$ -	\$ -	\$ -
Total Assets and Resources	-	-	-
Liabilities and fund balance:			
Liabilities:			
Accounts payable	-	-	-
Total Liabilities	-	-	-
Fund balances:			
Reserved for:			
Other	-	-	-
Unreserved:			
Undesignated:	-	-	-
Total fund balances	-	-	-
Total Liabilities and Fund Balances	\$ -	\$ -	\$ -

**BARREN COUNTY BOARD OF EDUCATION**  
**COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2013**

	Seek Capital Outlay Fund	Building Fund	Total Nonmajor Governmental Funds
Revenues:			
From local sources:			
Taxes:			
Property	\$ -	\$ 2,266,605	\$ 2,266,605
Intergovernmental-state	433,555	1,632,206	2,065,761
Total revenues	433,555	3,898,811	4,332,366
Expenditures:			
Support services:			
Plant operations and maintenance	-	-	-
Total expenditures	-	-	-
Excess (deficit) of revenues over expenditures	433,555	3,898,811	4,332,366
Other financing sources (uses):			
Operating transfers out	(433,566)	(3,898,811)	(4,332,377)
Total other financing sources (uses)	(433,566)	(3,898,811)	(4,332,377)
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(11)	-	(11)
Fund balance, July 1, 2012	11	-	11
Fund balance, June 30, 2013	\$ -	\$ -	\$ -

**BARREN COUNTY BOARD OF EDUCATION**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES – BARREN COUNTY HIGH**  
**SCHOOL ACTIVITY FUNDS**  
**For the Year Ended June 30, 2013**

	Cash Balance	(1)	(1)	Cash Balance	Accounts	Accounts	Balance
	July 1, 2012	Receipts	Disbursements	June 30, 2013	Receivable	Payable	June 30, 2013
ATHLETIC BOOSTER CLUB	\$ 15,640	\$ 17,102	\$ 24,447	\$ 8,295	\$ -	\$ -	\$ 8,295
ACADEMIC TEAM	2,714	1,000	2,530	1,184	-	-	1,184
AFTER PROM	3,111	6,765	6,520	3,356	-	-	3,356
AG SHOP	153	2,778	2,637	294	-	-	294
AGRICULTURE	646	2,365	2,481	530	-	-	530
AMAZING COFFEE SHOP	-	5,506	4,673	833	-	-	833
APPLIED SCIENCE	1,199	90	800	489	-	-	489
ART	2,124	1,762	1,521	2,365	-	-	2,365
ATHLETIC	46,917	148,957	137,621	58,253	-	3,257	54,996
BAND	14,857	35,188	44,618	5,427	-	21	5,406
BASEBALL	-	43,474	41,406	2,068	-	534	1,534
BARREN BEYOND THE BELL	45	4,200	2,131	2,114	-	-	2,114
BETA CLUB	453	33,440	33,090	803	-	-	803
BOOSTER/VENDING	2,395	8,487	7,953	2,929	-	-	2,929
BOWLING	-	1,600	1,125	475	-	-	475
BOYS BASKETBALL	5,143	20,431	23,207	2,367	-	1,035	1,332
BOYS GOLF	3,689	8,061	8,332	3,418	-	-	3,418
BROADCASTING	273	970	1,238	5	-	-	5
BUSINESS	2,709	820	2,902	627	-	-	627
CHEERLEADERS	536	69,875	65,409	5,002	-	1,387	3,615
CROSS COUNTRY BOYS BDGT.	1,197	3,229	3,847	579	-	-	579
DANCE TEAM	945	8,244	8,487	702	-	-	702
DRAMA OF BARREN BEYOND THE BELL	3,365	23,856	17,111	10,110	-	-	10,110
ENVIRONMENTAL CLUB	-	750	310	440	-	-	440
FACS	2	1,460	1,462	-	-	-	-
FBLA	2,597	12,613	13,419	1,791	-	-	1,791
FCA	2,301	-	828	1,473	-	-	1,473
FEA	-	336	277	59	-	-	59
FFA	8,861	46,479	50,039	5,301	-	1,967	3,334
FCCLA	67	5,007	5,052	22	-	-	22
FMD 1	1,007	300	584	723	-	-	723
FMD 2	237	300	185	352	-	-	352
FLOWER FUND	971	4,577	4,791	757	298	-	1,055
FOOTBALL	29,660	64,592	59,678	34,574	-	-	34,574
FOREIGN LANGUAGE	2,466	4,385	4,426	2,425	-	-	2,425
FRESHMEN	-	2,958	2,958	-	100	-	100
GENERAL	9,197	35,984	37,681	7,500	147	1,204	6,443
GIRLS BASKETBALL	2,068	12,966	8,619	6,415	25	-	6,440
GIRLS CROSS COUNTRY BDGT.	255	-	255	-	-	-	-
GIRLS GOLF	347	4,735	3,417	1,665	-	-	1,665
GIRLS SOFTBALL	3,832	29,403	29,478	3,757	-	-	3,757
GREENHOUSE	5,575	7,957	8,737	4,795	-	-	4,795
GREEN TEAM	123	914	526	511	-	-	511
HELP DESK	2,749	888	660	2,977	-	-	2,977
JUNIORS	3,670	25,092	25,582	3,180	-	-	3,180
JROTC	13,119	15,190	21,567	6,742	-	-	6,742
KEY CLUB	2,280	-	-	2,280	-	-	2,280
LIBRARY FUND	2,438	1,626	1,513	2,551	-	-	2,551
MAGNET SCHOOL	34	800	628	206	-	-	206
MAINTENANCE	394	10,000	9,904	490	-	-	490
ORCHESTRA	-	715	363	352	-	-	352
COPY PAPER ACCOUNT	15,000	10,000	11,514	13,486	-	-	13,486
PEP CLUB	8,508	6,727	10,544	4,691	-	-	4,691
PHYSICAL EDUCATION	-	3,088	2,431	657	-	-	657
PROJECT GRADUATION ACTIVITIES	12,321	-	815	11,506	-	-	11,506
RECIPES FOR SUCCESS	313	4,941	5,057	197	-	-	197
SADD	-	729	484	245	-	-	245
SCHEDULES	2,167	56,394	57,515	1,046	-	-	1,046
SCHOOL STORE	3,636	754	1,921	2,469	-	-	2,469
SCIENCE	447	4,085	4,390	142	-	-	142
SENIORS	9,575	12,188	11,126	10,637	-	597	10,040
SOCCER, BOYS	4,189	8,521	10,221	2,489	-	-	2,489
SOCCER, GIRLS	2,575	1,705	2,747	1,533	-	-	1,533
SOCIAL STUDIES CLUB	118	390	484	24	-	-	24
SOPHOMORES	1,590	2,816	3,180	1,226	-	-	1,226
STUDENT COUNCIL	1,042	-	145	897	-	-	897
SWIMMING	7	1,550	1,397	160	-	-	160
TENNIS	4,346	3,224	2,633	4,937	-	-	4,937
TEXTBOOKS	2,255	11,645	13,254	646	-	-	646
TRACK, BOYS	1,206	3,769	4,661	314	-	-	314
TROJAN BASS FISHING CLUB	-	5,504	4,844	660	-	-	660
TROJAN THREADS	2,854	33,212	36,066	-	-	-	-
TROJAN SPORTS SHOP	3,253	12,571	9,664	6,160	-	-	6,160
VENDING MACHINES	11,118	17,361	22,116	6,363	100	-	6,463
VIDEO	3,682	1,095	-	4,777	-	-	4,777
VOLLEYBALL	1	11,108	11,109	-	-	-	-
WRESTLING	1,519	3,839	4,440	918	-	-	918
Y CLUB	56	11,983	12,039	-	-	-	-
YEARBOOK	30,235	23,612	20,248	33,599	-	-	33,599
THE ZONE	6,874	8,786	6,928	8,732	-	673	8,059
INVESTMENT INCOME	6,389	1,209	-	7,598	-	-	7,598
	<u>\$ 337,637</u>	<u>\$ 1,001,033</u>	<u>1,008,998</u>	<u>329,672</u>	<u>670</u>	<u>10,675</u>	<u>319,667</u>

(1) Included in receipts and disbursements are Inter-fund transfers in the amount of \$143,926.

**BARREN COUNTY BOARD OF EDUCATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES – MIDDLE SCHOOL  
AND ELEMENTARY SCHOOLS ACTIVITY FUNDS  
For the Year Ended June 30, 2013**

	Cash Balance <u>July 1, 2012</u>	(1) <u>Receipts</u>	(1) <u>Disbursements</u>	Cash Balance <u>June 30, 2013</u>	Accounts <u>Receivable</u>	Accounts <u>Payable</u>	Fund Balance <u>June 30, 2013</u>
BARREN CO. MIDDLE SCHOOL	\$ 48,483	\$ 293,314	\$ 296,660	\$ 45,137	\$ 275	\$ 2,910	\$ 42,502
BARREN CO. DAY TREATMENT CENTER	210	1,423	1,474	159	50	-	209
AUSTIN-TRACY ELEMENTARY	47,790	88,333	84,980	51,143	-	1,475	49,668
EASTERN ELEMENTARY	30,296	161,370	142,499	49,167	1,267	2,710	47,724
HISEVILLE ELEMENTARY	50,722	80,342	86,992	44,072	627	2,855	41,844
NORTH JACKSON ELEMENTARY	35,340	268,975	263,184	41,131	69	8,225	32,975
PARK CITY ELEMENTARY	27,578	106,696	104,727	29,547	-	-	29,547
RED CROSS ELEMENTARY	126,834	286,160	289,735	123,259	-	4,458	118,801
TEMPLE HILL ELEMENTARY	20,222	214,072	212,647	21,647	-	27	21,620
TOTAL	<u>\$ 387,475</u>	<u>\$ 1,500,685</u>	<u>\$ 1,482,898</u>	<u>\$ 405,262</u>	<u>\$ 2,288</u>	<u>\$ 22,660</u>	<u>\$ 384,890</u>

(1)

Included in receipts and disbursements are Inter-fund transfers in the amount of \$70,675.

**BARREN COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2013**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<u>U.S. Department of Agriculture:</u>			
Passed-through State Department of Education:			
Child Nutrition Cluster			
School Breakfast Program	10.553	7760002 12/13	\$ 486,151
National School Lunch Program	10.555	7750002 12/13	1,257,251
Summer Meal Program	10.559	7740023 12/13	<u>68,822</u>
Total Child Nutrition Cluster			1,812,224
Passed-through State Department of Agriculture:			
Food distribution/Commodities	10.051	775000 12/13	<u>154,673</u>
Total Department of Agriculture			<u>\$ 1,966,897</u>
<u>U.S. Department of Education:</u>			
Passed-through State Department of Education:			
Special Education Cluster (IDEA)-Cluster			
Special Education	84.027	3810002	\$ 944,161
Special Education Preschool	84.173	3800002	<u>32,701</u>
Total Special Education Cluster			<u>\$ 976,862</u>
Title I	84.010	3100002	\$ 1,090,840
Migrant	84.011	3110002	668,933
Title II: (Improving Teacher Quality)	84.367	3230002	186,917
Adult Education	84.002	-	12,160
Vocation Education	84.048	4621110	35,321
Education Jobs Fund	84.410	EJOB00	78,594
Americorps	94.006	FAP111-44-00	891,063
Twenty-First Century	84.287	3400002	608,074
Rural Education	84.358	3140002	89,764
English Languge Acquisition	84.365	3300002	24,225
School Health Programs	93.938	2000001	150
Race to the Top	84.413	3960002	<u>14,445</u>
Total Other Programs			<u>3,700,486</u>
Total Department of Education			<u>\$ 4,677,348</u>
Total Federal Assistance			<u>\$ 6,644,245</u>

**BARREN COUNTY BOARD OF EDUCATION**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2013**

1. Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Barren County Board of Education 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.

2. Food Distribution:

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

**BARREN COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2013**

I. SUMMARY OF AUDITORS RESULTS

**Financial Statements**

Type of auditor's report issued (unqualified):

Internal Control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes    X    No
- Significant deficiencies 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 deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes    X    None Reported

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

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:

<b>Federal Grantor/Program Title</b>	<b>CFDA Number</b>
<b>U.S. Department of Education</b>	
<b>Passed Through Kentucky Department of Education:</b>	
Migrant	84.011
Title II: (Improving Teacher Quality)	84.367
Americorps	94.006

Dollar threshold used to distinguish Between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?    X    Yes \_\_\_\_\_ No

**BARREN COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2013**

II. FINANCIAL STATEMENTS FINDINGS

Current Year Findings

A. None Reported.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

B. None Reported.

**BARREN COUNTY BOARD OF EDUCATION  
SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Year Ended June 30, 2013**

**Barren County Board of Education**

Prior audit finding 2012-1:

Monthly bank reconciliations noted an unreconciled amount that was not being addressed in a timely manner.

Recommendation:

Unreconciled amounts should be investigated and not be allowed to carry over from month to month.

Current Status:

During the current year annual audit, reconciliation discrepancies were addressed as they were encountered and cash was reconciled to the general ledger.



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Skip R. Campbell, CPA ▪ Sammie D. Parsley, CPA ▪ Ryan Mosier, CPA ▪ Jenna B. Pace, CPA ▪ Adam Duvall

**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  
Barren County Board of Education  
Glasgow, Kentucky 42141

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 Barren 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 Barren County Board of Education's basic financial statements, and have issued our report thereon dated November 6, 2013.

**Internal Control Over Financial Reporting**

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

## **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.

*Campbell, Myers & Rutledge, PLLC*

Glasgow, Kentucky  
November 6, 2013



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

Members of the Board of Education  
Barren County Board of Education  
Glasgow, Kentucky 42141

**Report on Compliance for Each Major Federal Program**

We have audited Barren 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 Barren County Board of Education's major federal programs for the year ended June 30, 2013. Barren 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 Barren 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 Barren 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 Barren County Board of Education's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Barren 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 Barren 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 Barren 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 Barren 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.

*Campbell, Myers & Rutledge, PLLC*

Glasgow, Kentucky  
November 6, 2013





CAMPBELL, MYERS AND RUTLEDGE, PLLC

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Members of the Board of Education  
Barren County Board of Education  
Glasgow, Kentucky 42141

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Barren County Board of Education as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered Barren County Board of Education's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Barren County Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of the Barren County Board of Education's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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.

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.

During our audit, we became aware of the following deficiencies in internal control other than significant deficiencies or material weaknesses, and other matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters.

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 governmental unit personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management, Barren County Board of Education, others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Campbell, Myers & Rutledge, PLLC*

Certified Public Accountants

November 6, 2013

**BARREN COUNTY BOARD OF EDUCATION  
MANAGEMENT LETTER COMMENTS  
June 30, 2013**

**PRIOR YEAR FINDINGS**

**Barren County Board of Education – 2012-1**

Prior fiscal year condition: During the fiscal year ending June 30, 2012, it was noted that account reconciliations were being prepared; however, the accounts were not completely reconciled.

Observation: Unreconciled items on account reconciliations appeared to be addressed in a timely manner.

**Barren County Board of Education**

Prior fiscal year condition: Additional segregation of duties was needed within the payroll department to allow for additional review and accuracy of the disbursements.

Observation: The District placed additional personnel in the payroll department to accomplish segregation of duties.

**Barren County Day Treatment Center**

Prior fiscal year condition: The Barren County Day Treatment Center was not using the proper School Activity forms and guidelines to monitor and record its cash receipts and disbursements.

Observation: School Activity forms were being utilized at the Day Treatment Center.

**Barren County Board of Education**

Prior fiscal year condition: Stipend payments and overtime pay occur at irregular intervals as they relate to the time the service was performed.

Response: The hiring of additional staff within the payroll department has allowed for compliance to occur.

**Barren County High School**

Prior fiscal year Condition: The Barren County High School had a fund that ended the year in a deficit balance.

Observation: No activity funds at the High School ended the year in a deficit balance.

**Barren County Middle School**

Prior fiscal year Condition: The Barren County Middle School had a fund that ended the year in a deficit balance.

Observation: Barren County Middle School still had an activity fund that ended the year in a deficit balance. This was noted in the Current Year Findings.

**BARREN COUNTY BOARD OF EDUCATION  
MANAGEMENT LETTER COMMENTS  
June 30, 2013**

**CURRENT YEAR FINDINGS**

**Barren County High School**

Criteria: *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book) sets forth accounting guidelines that stipulate gifts to district employees shall be made from money donated by staff.

Condition: The Barren County High School issued an expenditure for flower benevolence from an activity fund for an employee.

Cause: A review of the expenditure along with its compliance with *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book) did not occur.

Effect: Compliance with *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book) was not achieved.

Recommendation: We recommend that both the school principal and bookkeeper be reminded that this is a point of emphasis when they review and sign expenditures.

Response: Annual training for *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book) was instituted in FY 2012 and current issues were brought to the attention of administrative personnel for emphasis.

**Barren County Middle School**

Criteria: *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book) sets forth accounting guidelines that stipulate no fund shall end the year in a deficit balance.

Condition: The Barren County Middle School had a fund that ended the year in a deficit balance.

Cause: Annual review of fund balances was not conducted at the end of the year.

Effect: Compliance with *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book) was not achieved.

Recommendation: We recommend that both the school principal and bookkeeper be reminded that this is a point of emphasis when they review and sign the monthly AFR.

Response: Annual training for *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book) was instituted in FY 2012 and current issues were brought to the attention of administrative personnel for emphasis.

**BARREN COUNTY BOARD OF EDUCATION  
MANAGEMENT LETTER COMMENTS  
June 30, 2013**

**Barren County Day Treatment**

Criteria: *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book) sets forth accounting guidelines that stipulate all checks shall contain the signatures of the principal and the school treasurer.

Condition: Dual signatures were not present on all checks at The Barren County Day Treatment Center.

Cause: A review of the expenditures along with its compliance with *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book) did not occur.

Effect: Compliance with *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book) was not achieved.

Recommendation: We recommend that both the school principal and school treasurer be reminded that this is a point of emphasis when issuing checks.

Response: Annual training for *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book) was instituted in FY 2012 and current issues were brought to the attention of administrative personnel for emphasis.