Revised
2/28/14

REPORT OF THE AUDIT OF THE CUMBERLAND COUNTY SCHOOL DISTRICT

For The Fiscal Year Ended
June 30, 2013

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Members of the Board
Cumberland County School District
Burkesville, Kentucky

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Cumberland County School District, Burkesville, Kentucky, 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 the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Office of Management and Budget Circular No. A-133, Audits of States, Local Governments, and Non-Profit Organizations*. 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.

Opinion

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 Cumberland County School District 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 through 9 and 36 through 37 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 Cumberland County School District's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical section 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 are required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization,* and is also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subject 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 State of America. In our opinion, the combing and individual non-major 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.

The introductory section statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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 Cumberland County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our resting of internal control over financial reporting and compliance. That report is an integral part of an audit preformed in accordance with *Government Auditing Standards* considering Cumberland County School Districts' internal control over financial reporting and compliance.

Respectfully submitted,

Ross and Company

Ross and Company, PLLC
November 6, 2013

Cumberland County School District
Burkesville, Kentucky
Management's Discussion and Analysis (MD & A)
Year Ended June 2013

As management of the Cumberland 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 and ending cash balance including investments for the District was $1,249,182 and $1,085,009 respectively in the General Fund, School Food Service and School Age Childcare.
- A concerted effort was focused on purchasing in all areas.
- The General Fund had $7,454,746 in receipts, which primarily consisted of the state program (SEEK), property, local occupational license taxes, utilities, and motor vehicle taxes, interest and in-kind payments. Excluding inter-fund transfers, there was $7,618,498 in General Fund expenditures.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

The district-wide financial statements can be found on pages 10 and 11.

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 used fund accounting to ensure and demonstrate compliance with finance-related legal

requirements. All of the funds of the District can be divided into three categories: governmental, proprietary and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are the day care and food service operations. All other activities of the District are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 12 and 14.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements.

The notes to the financial statement can be found on pages 21 through 35.

DISTRICT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by $3,026,744 as of June 30, 2013.

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

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

Net Position for the period ending June 30, 2013 and 2012, respectively:

	2013	2012
ASSETS		
Total current assets	$ 1,926,888	$ 2,468,066
Total non-current assets	14,119,148	14,320,167
Total assets	$ 16,046,036	$ 16,788,233
LIABILITIES		
Total current liabilities	$ 1,418,392	$ 1,436,641
Total non-current liabilities	11,600,900	12,177,014
Total liabilities	13,019,292	13,613,655
NET POSITION		
Invested in capital assets, net of related debt	1,776,298	1,522,727
Restricted	687,647	1,070,534
Unrestricted	562,799	581,317
Total net positions	3,026,744	3,174,578
Total liabilities and net positions	$ 16,046,036	$ 16,788,233

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

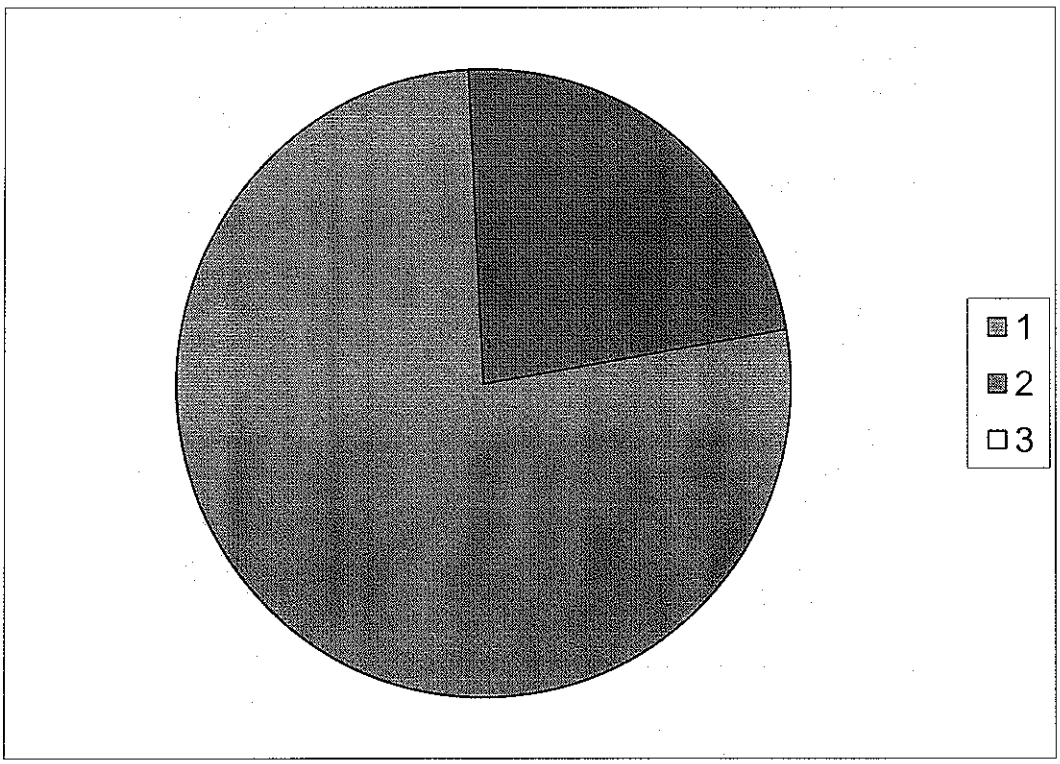
	General Fund
Revenues	
From local sources	$ 1,698,239
State sources	5,751,170
Federal - indirect	5,338
Fund Transfers	126,252
Total revenues	7,580,999
Expenditures	
Instruction	4,646,574
Support services	
Student	398,990
Instruction staff	260,783
District administration	330,596
School administration	468,188
Business	328,023
Plant operation and maintenance	689,958
Student transportation	494,121
Food Service Operation	11
Community service activities	754
Debt service	101,646
Total expenditures	7,720,144
Excess (deficit) of revenues over expenditures	($139,145)

Comments on Budget Comparisons

- The District's total General Fund revenues for the fiscal year ended June 30, 2013, excluding inter-fund transfers and on-behalf payments, were $6,882,817 including a beginning balance of $1,085,532.
- General fund budget compared to actual revenue varied slightly from line item to line item with the ending actual revenues being $130,144 more than budgeted by 1.52% favorable percentage points.
- General fund budget expenditures to actual varied from line item to line item with the ending actual expenditures being $816,273 less than budget by 9.56% favorable percentage points.

General Fund Revenue

Chart 1



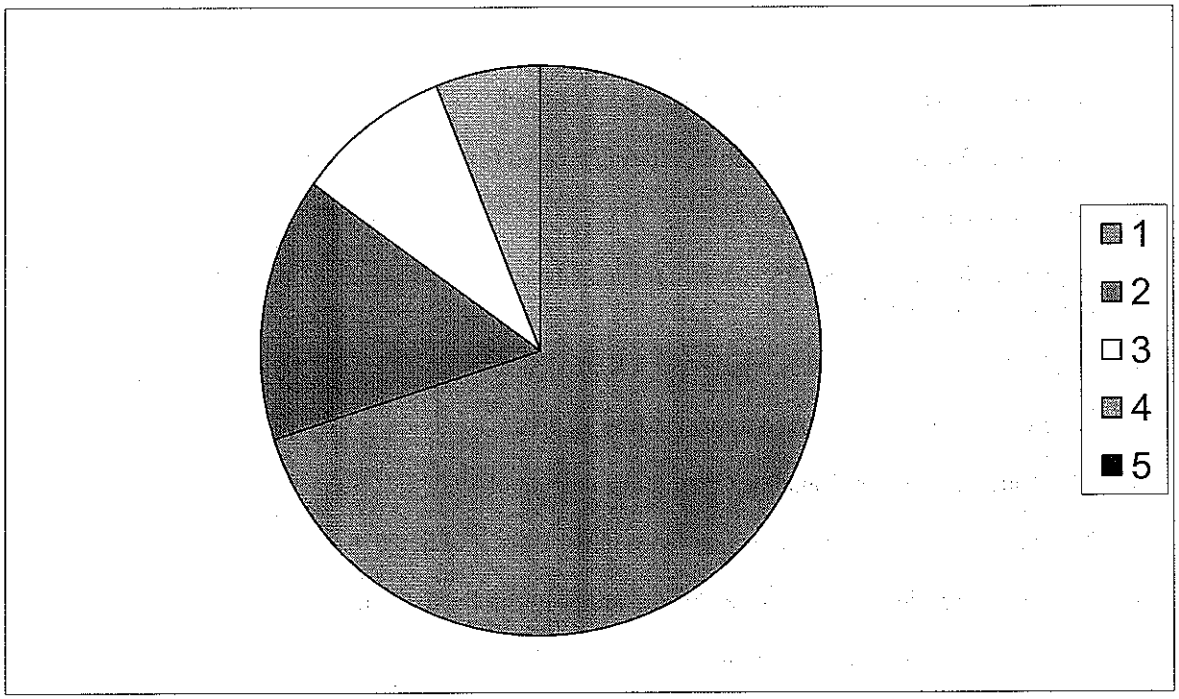
1 = 77% Revenue from State Sources $5,751,170

2 = 23% Revenue from Local Sources $1,698,239

3 = <1% Revenue from Federal Source/Revenue from Other Sources $5,338

General Fund Expenditures

Chart 2



1=70% Instructional/Student and Staff Support Services $5,306,347

2 = 15% Administration/Business Support Services $1,126,807

3 = 9% Plant Operation and Management $689,958

4 = 6% Student Transportation $494,121

5 = <1% Food Service/Community Service /Debt Service $1,265

BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1 – June 30; other programs, i.e. some federal programs operate on a different fiscal calendar, but are reflected in the District's overall budget. By law the budget must have a minimum 2% contingency. The District adopted a budget with $720,529 in contingency. The beginning and ending cash balances for fiscal year 2012-13 in the General Fund were $551,527 and $396,552 respectively. Significant actions taken by the District are as follows:

- CERS rates went from 18.96% to 19.55%.
- No salary increases for certified or classified personnel.
- From June 30, 2012 to June 30, 2013, ADA decreased from 896.77 to 899.83 for the district.
- The Board adopted the 4% tax rate.
- Beginning July 1, 2012 KTRS required the local board to pay 1% match on all certified salaries. The rate was previously .5%.
- Fund 400 (Debt Service) was created per a KDE directive.
- A new superintendent resumed duties on July 1, 2012.
- The district received a Homeless Grant in the amount of $9,332.
- The district received Race to the Top funds in the amount of $19,556.
- A diagnostic review was conducted by Advanced Ed for the district.
- The district no longer has an energy manager.
- A kindergarten teacher and an aide were hired in September due to the increase of students in this grade level.
- Lack of funding to districts for transportation at the state level remains a concern. Currently, transportation is funded at approximately 62.5%. In April 2013 we were cut $25,154 per month for a total cut to transportation of $75,462 for the year.
- Direct deposit was mandated for all employees except student workers.
- KSBIT announced its plan for an assessment. Districts will be responsible for the deficit it has incurred.
- In February 2013, the energy bond of 2004 and the 1996R technology wiring project were refinanced in the amount of approximately $1,705,000.
- The fixed asset threshold was changed from $1,000 to $5,000 to align with the KDE directive.

Questions regarding Questions regarding this report should be directed to the **Glen Murphy, Superintendent**, or **Kathy King, Finance Officer** at 270-864-3377 or by mail at P O Box 420, Burkesville, KY 42717.

CUMBERLAND COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
DISTRICT WIDE
As of June 30, 2013

ASSETS	Governmental Activities	Business-type Activities	Total
Current Assets			
Cash and cash equivalents	$ 778,924	$ 188,457	$ 967,381
Investments	500,000	-	500,000
Other receivables	261,159	1,045	262,204
Inventory	-	13,517	13,517
Prepaids	52,404	-	52,404
Bond Issuance Cost	131,382	-	131,382
Total current assets	1,723,869	203,019	1,926,888
Non-current Assets			
Land	175,321	-	175,321
Land Improvements	665,254	-	665,254
Buildings and improvements	16,504,125	38,206	16,542,331
Furniture and equipment	3,173,847	490,208	3,664,055
Less: Accumulated depreciation	(6,699,689)	(228,124)	(6,927,813)
Total non-current assets	13,818,858	300,290	14,119,148
Total assets	$ 15,542,727	$ 503,309	$ 16,046,036
LIABILITIES			
Current Liabilities			
Accounts payable	$ 33,660	$ 434	$ 34,094
Deferred revenue	197,637	3,498	201,135
Interest payable	310,819	-	310,819
Current portion of long-term obligations	726,699	-	726,699
Current portion of KISTA obligations	70,329	-	70,329
Current portion of sick-leave	75,316	-	75,316
Total current liabilities	1,414,460	3,932	1,418,392
Non-current Liabilities			
Non-current portion of long-term obligation	11,284,903	-	11,284,903
Non-current portion of KISTA obligation	260,919	-	260,919
Non-current portion of accrued sick leave	55,078	-	55,078
Total non-current liabilities	11,600,900	-	11,600,900
Total liabilities	$ 13,015,360	$ 3,932	$ 13,019,292
NET POSITION			
Invested in capital assets, net of related debt	$ 1,476,008	$ 300,290	$ 1,776,298
Restricted for:			
Capital projects	363,565	-	363,565
Other	124,995	199,087	324,082
Unrestricted	562,799	-	562,799
Total net position	2,527,367	499,377	3,026,744
Total liabilities and net position	$ 15,542,727	$ 503,309	$ 16,046,036

See accompanying notes to financial statements.

CUMBERLAND COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
DISTRICT WIDE

For the year ended June 30, 2013

FUNCTIONS/PROGRAMS	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net position: Governmental Activities	Net (Expense) Revenue and Changes in Net position: Business-type Activities	Net (Expense) Revenue and Changes in Net position: Total
Governmental Activities							
Instruction	$ 6,466,598	$ -	$ 1,288,011	$ -	$ (5,178,587)	$ -	$ (5,178,587)
Support services:							-
Student	407,531	-	7,658	-	(399,873)	-	(399,873)
Instruction staff	655,237	-	385,695	-	(269,542)	-	(269,542)
District administrative	323,629	-	-	-	(323,629)	-	(323,629)
School administrative	470,210	-	-	-	(470,210)	-	(470,210)
Business	332,007	-	2,879	-	(329,128)	-	(329,128)
Plant operation and maintenance	691,897	-	-	-	(691,897)	-	(691,897)
Student transportation	582,076	-	16,378	-	(565,698)	-	(565,698)
Facilities acquisition and construction	102,955	-	-	-	(102,955)	-	(102,955)
Community service activities	82,025	-	78,638	-	(3,387)	-	(3,387)
Other	15,570	-	-		(15,570)	-	(15,570)
Interest on long-term debt	282,456	-	-		(282,456)	-	(282,456)
Total governmental activities	10,412,191	-	1,779,259	-	(8,632,932)	-	(8,632,932)
Business-type Activities							
Food service	657,018	133,694	522,032	-	-	(1,292)	(1,292)
Community Education	48,724	24,608	16,225	-	-	(7,891)	(7,891)
Total business-type activities	705,742	158,302	538,257	-	-	(9,183)	(9,183)
Total school district	$ 11,117,933	$ 158,302	$ 2,317,516	$ -	$ (8,632,932)	$ (9,183)	$ (8,642,115)
General Revenues							
Property taxes					$ 1,012,102	$ -	$ 1,012,102
Delinquent property tax					30,716	-	30,716
Motor vehicle taxes					208,960	-	208,960
Utility taxes					415,467	-	415,467
Other taxes					288,303	-	288,303
Investment earnings					32,166	1,829	33,995
State aid formula grants					6,323,294	-	6,323,294
Loss on sale of fixed assets					(790)	(2,657)	(3,447)
Miscellaneous					38,575	-	38,575
Transfers					32,900	(32,900)	-
Total general revenues					8,381,693	(33,728)	8,347,965
Change in net position					(251,239)	(42,911)	(294,150)
Net position - beginning					2,632,290	542,288	3,174,578
Prior Period Adjustment					146,316	-	146,316
Net position - ending					$ 2,527,367	$ 499,377	$ 3,026,744

See accompanying notes to financial statements.

CUMBERLAND COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS

As of June 30, 2013

	General Fund	Special Revenue	Construction Fund	Debt Service	Other Governmental	Total Governmental
ASSETS						
Cash and cash equivalents	$ 396,552	$ 18,807	$ 300,350	$ -	$ 63,215	$ 778,924
Investments	500,000	-	-	-	-	500,000
Other receivables	71,741	189,418	-	-	-	261,159
Prepaid Expenditures	1,166	-	-	51,238	-	52,404
Total assets	$ 969,459	$ 208,225	$ 300,350	$ 51,238	$ 63,215	$ 1,592,487
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	$ 23,072	$ 10,588	$ -	$ -	$ -	$ 33,660
Deferred revenue	-	197,637	-	-	-	197,637
Total liabilities	23,072	208,225	-	-	-	231,297
Fund Balances						
Nonspendable:						
Prepaids	$ -	$ -	$ -	$ 51,238	$ -	$ 51,238
Restricted:						
Future Construction	-	-	300,350	-	-	300,350
SFCC Escrow	-	-	-	-	63,215	63,215
Sick Leave Payable	25,316	-	-	-	-	25,316
Committed:						
Sick Leave Payable	50,000	-	-	-	-	50,000
Assigned:						
Site Base CFWD	49,679	-	-	-	-	49,679
Unassigned:	821,392	-	-	-	-	821,392
Total fund balances	946,387	-	300,350	51,238	63,215	1,361,190
Total liabilities and fund balances	$ 969,459	$ 208,225	$ 300,350	$ 51,238	$ 63,215	$ 1,592,487

See accompanying notes to financial statements.

CUMBERLAND COUNTY SCHOOL DISTRICT

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

June 30, 2013

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

Total Fund Balance-Governmental Funds		$ 1,361,190
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental:		
Cost of capital	$ 20,518,547	
Accumulated depreciation	(6,699,689)	
Bond Issuance Cost	131,382	13,950,240
Long-term liabilities including bonds payable are not due and payable in the current period and therefore are not reported as liabilities in the funds:		
Long-term Obligations	(12,011,602)	
KISTA Obligations	(331,248)	
Interest payable	(310,819)	
Long-term sick leave	(130,394)	(12,784,063)
Total Net position-Governmental Funds		$ 2,527,367

See accompanying notes to financial statements.

CUMBERLAND COUNTY SCHOOL DISTRICT

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	Other Governmental Funds	Total Governmental Funds
Revenues						
From local sources						
Property taxes	$ 714,952	$ -	$ -	$ -	$ 327,866	1,042,818
Motor vehicle taxes	208,960	-	-	-	-	208,960
Utilities taxes	415,467	-	-	-	-	415,467
Other taxes	288,303	-	-	-	-	288,303
Earnings on investments	31,982	69	-	-	184	32,235
Other local revenues	38,575	-	-	-	-	38,575
State sources						
SEEK	4,076,725	-	-	-	423,482	4,500,207
On Behalf Payments	1,657,461	-	-	143,304	-	1,800,765
Other	16,984	374,816	-	-	-	391,800
Federal - indirect	5,338	1,404,374	-	-	-	1,409,712
Other revenues	-	-	-	-	-	-
Total revenues	7,454,747	1,779,259	-	143,304	751,532	10,128,842
Expenditures						
Instruction	4,646,574	1,305,080	-	-	-	5,951,654
Support services						
Student	398,990	7,658	-	-	-	406,648
Instruction staff	260,783	385,695	-	-	-	646,478
District administration	330,596	-	-	-	-	330,596
School administration	468,188	-	-	-	-	468,188
Business	328,023	2,879	-	-	-	330,902
Plant operation and maintenance	689,958	-	-	-	316	690,274
Student transportation	494,121	16,378	-	-	-	510,499
Food service operation	11	-	-	-	-	11
Facilities acquisition and construction	-	-	246,640	-	-	246,640
Community service activities	754	78,638	-	-	-	79,392
Debt service	500	-	-	1,102,889	399	1,103,788
Total expenditures	7,618,498	1,796,328	246,640	1,102,889	715	10,765,070
Excess (deficit) of revenues over expenditures	(163,751)	(17,069)	(246,640)	(959,585)	750,817	(636,228)
Other Financing Sources (Uses)						
Operating transfers in	126,252	19,349	-	1,010,823	-	1,156,424
Operating transfers out	(101,646)	(2,280)	(161,699)	-	(857,899)	(1,123,524)
Total other financing sources (uses)	24,606	17,069	(161,699)	1,010,823	(857,899)	32,900
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(139,145)	-	(408,339)	51,238	(107,082)	(603,328)
Net change in fund balances	(139,145)	-	(408,339)	51,238	(107,082)	(603,328)
Fund balance, July 1, 2012	1,085,532	-	708,689	-	170,297	1,964,518
Fund balance, June 30, 2013	$ 946,387	$ -	$ 300,350	$ 51,238	$ 63,215	$ 1,361,190

See accompanying notes to financial statements.

CUMBERLAND COUNTY PUBLIC SCHOOLS DISTRICT

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

For the year ended June 30, 2013

Total net change in fund balances- governmental funds	$	(603,328)
Amounts reported for governmental activities in the statement of net position are different because:		
Governmental funds report capital outlays as expenditures because they use current financial resources. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the period.		(468,738)
In the statement of activities, only the gain on the sale of asset is reported, whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus, the change in net position differ from the change in fund balances by the basis of the asset sold.		(790)
Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets however issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. This is the amount by which bond proceeds exceed principal payments.		742,882
In the statement of activities, certain operating expenses such as compensated absences (sick leave), are measured by the amount earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year special termination benefits paid exceed the amounts earned.		15,844
Interest on long-term debt in the statement of activities differs from the amount reported in governmental funds because interest is recorded as an expenditure in the fund when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is the net result of accrued interest on bonds.		62,891
Change in Net position - Governmental Funds	$	(251,239)

See accompanying notes to financial statements.

CUMBERLAND COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

As of June 30, 2013

	Food Service Fund	Other Enterprise Funds	Total
ASSETS			
Current Assets			
Cash and cash equivalents	$ 144,910	$ 43,547	$ 188,457
Other receivables	399	646	1,045
Inventory	13,517	-	13,517
Total current assets	158,826	44,193	203,019
Noncurrent Assets			
Buildings and improvements	31,375	6,831	38,206
Furniture and equipment	485,172	5,036	490,208
Less: Accumulated depreciation	(217,019)	(11,105)	(228,124)
Total noncurrent assets	299,528	762	300,290
Total assets	$ 458,354	$ 44,955	$ 503,309
LIABILITIES			
Current Liabilities			
Accounts payable	$ -	$ 434	$ 434
Deferred Revenue	3,498	-	3,498
Total liabilities	3,498	434	3,932
NET POSITION			
Invested in capital assets, net of related debt	299,528	762	300,290
Restricted for:			
Inventory	13,517	-	13,517
New Assets	141,811	43,759	185,570
Total net position	454,856	44,521	499,377
Total liabilities and net position	$ 458,354	$ 44,955	$ 503,309

See accompanying notes to financial statements.

CUMBERLAND COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

PROPRIETARY FUNDS

For the year ended June 30, 2013

	Food Service Fund	Other Enterprise Funds	Total
Operating Revenues			
Service sales	$ 133,494	$ 24,608	$ 158,102
Other operating revenue	200	-	200
Total operating revenues	133,694	24,608	158,302
Operating Expenses			
Salaries and wages	280,583	35,749	316,332
Professional and contract services	11,198	7,127	18,325
Supplies and materials	327,084	4,208	331,292
Depreciation	37,046	46	37,092
Other operating expenses	1,107	1,594	2,701
Total operating expenses	657,018	48,724	705,742
Operating income (loss)	(523,324)	(24,116)	(547,440)
Non-operating revenues (expenses)			
Federal grants	482,572	-	482,572
State grants	39,460	16,225	55,685
Interest income	1,829	-	1,829
Gain/ (Loss) on sale of asset	(2,657)	-	(2,657)
Total non-operating revenues (expenses)	521,204	16,225	537,429
Transfers Out	(29,795)	(3,105)	(32,900)
Net income (loss)	(31,915)	(10,996)	(42,911)
Total net position, July 1, 2012	486,771	55,517	542,288
Total net position, June 30, 2013	$ 454,856	$ 44,521	$ 499,377

See accompanying notes to financial statements.

CUMBERLAND COUNTY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the year ended June 30, 2013

	Food Service Fund	Other Enterprise Funds	Total
Cash Flows from Operating Activities			
Cash received from sales	$ 134,738	$ 26,137	$ 160,875
Cash received from other activities	200	-	200
Cash payments to employees for services	(280,583)	(35,749)	(316,332)
Cash payments to suppliers for goods and services	(347,525)	(10,901)	(358,426)
Cash payments for other operating activities	(1,107)	(1,594)	(2,701)
Net cash from operating activities	(494,277)	(22,107)	(516,384)
Cash Flows from Noncapital Financing Activities			
Transfers	(29,795)	(3,105)	(32,900)
Non-operating grants received	522,032	16,225	538,257
Net cash from noncapital financing activities	492,237	13,120	505,357
Cash Flows from Investing Activities			
Interest on investments	1,829	-	1,829
Net cash flows from investing activities	1,829	-	1,829
Net increase in cash and cash equivalents	(211)	(8,987)	(9,198)
Cash and cash equivalents - beginning	145,121	52,534	197,655
Cash and cash equivalents - ending	144,910	43,547	188,457
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	(523,324)	(24,116)	(547,440)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Depreciation	37,046	46	37,092
Changes in assets and liabilities:			
Receivables	280	1,529	1,809
Inventory	(3,237)	-	(3,237)
Accounts payable	(6,006)	434	(5,572)
Deferred Revenue	964	-	964
Net Cash Provided by Operating Activities	$ (494,277)	$ (22,107)	$ (516,384)

See accompanying notes to financial statements.

CUMBERLAND COUNTY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS

June 30, 2013

	Trust/Agency Fund
ASSETS	
Current Assets	
Due from other funds	$ 267,297
Total assets	$ 267,297
LIABILITIES	
Current Liabilities	
Due to school groups	$ 267,297
Total net position and liabilities	$ 267,297

See accompanying notes to financial statements.

CUMBERLAND COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE- FIDUCIARY FUNDS

For the year ended June 30, 2013

	Trust/Agency Fund
Additions	
Revenues from student activities	$ 301,946
Deduction	
Non-instructional expenses	(298,645)
Change in revenues over expenses	3,301
Due to school groups - beginning	263,996
Due to school groups - ending	$ 267,297

See accompanying notes to financial statements.

CUMBERLAND COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

For the fiscal year ending June 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Cumberland County School District (District) is the basic level of government, which has financial accountability and control over all activities related to the public school education within the jurisdiction of the Cumberland County School District. The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. Board members are elected by the public and have decision-making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and have primary financial accountability for fiscal matters. The District is not included in any other governmental "reporting entity" as defined by GASB pronouncements. In accordance with GASB Standard 14, financial transactions of the following component unit are incorporated in the accompanying financial statements.

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

Basis of Presentation

District-wide Financial Statements:

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements:

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

Fund Accounting

The accounts of the District are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues and expenditures or expenses as appropriate. The various funds are summarized by type in the financial statements. The District uses the following funds:

Governmental Fund Types:

General Fund - The General Fund is the primary operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of grants from local, state and federal revenue sources that are legally restricted to expenditures for specified purposes. Project accounting is employed to maintain integrity for the various sources of funds. Federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report.

Construction Fund – The Construction Fund is used to account for all resources including proceeds from bond sales for the authorized acquisition and construction of capital facilities.

Capital Outlay Fund - The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives $100 per the District's adjusted average daily attendance restricted for use in financing projects as identified in the District's facility plan.

Building Fund - The Facility Support Program of Kentucky Fund (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, as applicable. Funds may be used for projects identified in the District's facility plan.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on general obligation notes payable, as required by Kentucky Law.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Fund Type

The District utilizes the proprietary fund type to account for the major funds: Food Service. The Food Service Fund is used to account for school food service activities, including the National School Lunch Program and the National School Breakfast Program, which are conducted in cooperation with the U.S. Department of Agriculture (USDA). No amounts have been recorded for in-kind contributions of USDA commodities on the financial statements, except as required by the

Single Audit Act as presented on the Schedule of Expenditures of Federal Awards. The aggregations of non-major funds are called Other Enterprises, which accounts for Child Care Funds.

Fiduciary Fund Type

The School Activity Funds are fiduciary funds used to account for student activity organizations in accordance with the Accounting Procedures for Kentucky School Activity Funds. Financial statements of groups and organizations associated with the school system but not originated within the District (e.g., Band Boosters, Parent-Teacher Associations, etc.) are not included within school activity funds.

Measurement Focus

The accounting and reporting treatment applied to a fund is determined by its measurement focus. The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds include a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Basis of Accounting

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

Exchange and Non-exchange transactions – There are two types of transactions: exchange and non-exchange. The method of determining revenue recognition (i.e., accrual v. modified accrual) depends upon the type of exchange as well as source of revenue. Exchange transactions occur when each party receives essentially equal value. Non-exchange transactions occur when one party receives value without directly giving equal value in return.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Modified Accrual - Revenue from non-exchange transactions (e.g., grants, entitlements and donations) must be available to be recognized. These sources of revenue are recognized in the fiscal year in which all eligibility requirements have been satisfied. Under the modified accrual basis of accounting, revenues from exchange transactions are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For the District, "available" means

within sixty days of June 30. Property tax revenue is recognized in the fiscal year for which the taxes are levied. Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. Under the modified basis of accounting, 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.

Accrual - Under the accrual basis of accounting, revenues are recorded when an exchange takes place. Expenses are recognized at the time they are incurred.

Encumbrance Accounting

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Kentucky Law, appropriations lapse at fiscal year end. Encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the proprietary fund type considers highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

Inventories

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

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

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

Budget

The District is required by state law to adopt a budget annually. The budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budget (Continued)

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP). Once the District approves the budget, it can be amended. Budget appropriations lapse at year-end.

Fund Balances

The School Board has implemented GASB Statement 54 employing new terminology and classifications for fund balance items.

Nonspendable Fund Balance includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable. At June 30, 2013, the District had a nonspendable prepaid fund balance of $51,238 in the Debt Service Fund.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2013, the District had $75,316 restricted for sick leave payable in the General Fund, $300,350 as restricted capital projects in the Construction Fund, $44,050 restricted in the Building Fund and $19,165 restricted in Capital Outlay Fund.

Committed fund balances are those amounts that can only be used for a specific purpose pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District had $50,000 committed funds for sick leave payable at June 30, 2013.

Assigned fund balances are those amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrances of funds. Assigned fund balance also include (a) all remaining amounts (except for negative amounts balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose. The district had $49,679 assigned for site based CFWD as of June 30, 2013.

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

The District considers unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Also, the District has established the order of assigned, committed, and restricted when an expenditures is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED

Use of Estimates

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

NOTE 2. SAFEGUARDING CASH AND CASH EQUIVALENTS

The District's cash and cash equivalents consist of amounts deposited in interest bearing accounts. The depository bank deposits for safekeeping and trust with the District's third party agent approved pledged securities to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

At June 30, 2013, the carrying amount of the District's combined deposits (cash and cash equivalents) excluding school activity funds was $3,214,963 and the combined bank balances totaled $3,487,922. The bank balances were covered by the combination of FDIC insurance and collateral held by the District's agent in the District's name at June 30, 2013.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). All deposits meet current guidelines.

The cash deposits held at financial institutions can be categorized according to three levels of risk. These three levels of risk are as follows:

Category 1 Deposits that are insured or collateralized with securities held by the District or by its agent in the District's name.

Category 2 Deposits that are collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3 Deposits which are not collateralized or insured.

Based on these three levels of risk, all of the District's cash deposits are classified as Category 2.

Statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. agencies, municipal securities and repurchase agreements. The investment pool and repurchase agreements are considered nonparticipating contracts. The District has a repurchase agreement whereby daily bank deposits sweep to an interest bearing overnight account. Such agreements can be categorized according to three levels of risk. These three levels or risk are:

Category 1 Investments that are insured or collateralized with securities held by the District or by its agent in the District's name.

NOTE 2. SAFEGUARDING CASH AND CASH EQUIVALENTS

Category 2 Investments that are collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3 Uninsured and unregistered investments held by the counter party, its trust or its agent, but not in the District's name.

The District's investment in repurchase agreements is classified by risk level as Category 2.

NOTE 3. PROPERTY TAXES

Revenues and other governmental fund financial resource increments (.i.e. bond issue proceeds) are recognized in the accounting period in which they become susceptible to accrual; that is, when they become measurable and available to finance expenditures of the fiscal periods. Property taxes collected are recorded as revenues in the fund for which they were levied. The assessment date of the property taxes is January 1 of each year. The levy is normally set during the September board meeting. Assuming property tax bills are timely mailed, collection date is the period from November 1 through December 31. Collections from the period November 1 through November 30 receive a two percent discount. The due date is the period from December 1 through December 31 in which no discount is allowed. Property taxes received subsequent to December 31 are considered to be delinquent and subject to a lien filed by the County Attorney.

NOTE 4. RETIREMENT PLANS

Kentucky Teachers' Retirement System

The Cumberland County School System contributes to the Teachers' Retirement System of Kentucky (KTRS), a cost-sharing, multiple employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. KTRS requires that members of the KTRS occupy a position requiring either a four (4) year college degree or certification by KY Department of Education (KDE).

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 or from the KTRS web site at http://www.ktrs.ky.gov/.

Funding policy - Contribution rates are established by KRS. Members are required to contribute 10.855% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries for members before July 1, 2008 and 14.105% of salaries for members after July, 1, 2008. The federal program for any salaries paid by that program pays the matching contributions of 14.105%.

NOTE 4. RETIREMENT PLANS (CONTINUED)

Kentucky Teachers' Retirement System (Continued)

Medical Insurance Plan

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

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

Funding policy – In order to fund the post-employment healthcare benefit, three and on half percent (3.5%) of gross annual payroll of members before July 1, 2008 is contributed. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

The Cumberland County Schools' total payroll for the year was $3,046,617. The payroll for employees covered under KTRS was $4,810,338. For the year ended June 30, 2013, the Commonwealth contributed $534,497 to KTRS for the benefit of participating employees. The School districts contributions to KTRS for the year ending June 30, 2013 were $107,835 which represents those employees covered by federal programs.

County Employees Retirement System

Plan Description - The County Employees Retirement System (CERS) administered by the Kentucky Retirement System (KRS) is a cost-sharing multiple-employer defined benefit public employee retirement system. The plan provides benefit pension plan coverage for substantially all regular non-certified, full-time employees of each county and Public Schools, and any additional eligible local agencies electing to participate in the System. The participant has a fully vested interest after the completion of sixty months of service, twelve of which are current service. At a minimum, terminated employees are refunded their contributions with credited interest at 3% compounded annually through June 30, 1980, 6% thereafter through June 30, 1986, and 4% thereafter.

CERS through KRS provides for retirement, disability, death, and survivor and health benefits of its members. The KRS annual financial report and other required disclosure information is available by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by calling (800) 928-4646.

Funding Status and Progress - The Kentucky Retirement System administers CERS based upon employer matching contributions from each county, Public Schools and eligible local agencies electing to participate in the System. The Board of Trustees of Kentucky Retirement Systems determines contribution rates each biennium. The following are CERS non-hazardous contribution rates for the year ended June 30, 2013 member is 5% of their salaries. Participation after September 1, 2008 is at the rate of 6%. The District is required to contribute 19.55%.

NOTE 4. RETIREMENT PLANS (CONTINUED)

County Employees Retirement System (Continued)

The contribution requirement for CERS for the year ended June 30, 2013, was $288,893, which consisted of $229,033 from the District and $59,860 from employees.

Additional information and historical trend information can be obtained from the Teachers Retirement System of Kentucky and the County Employee Retirement System of Kentucky.

NOTE 5. LIABILITY FOR COMPENSATED ABSENCES

Certified employees are awarded a maximum of 10 days of sick leave annually, based upon employment contract terms and District policy. Sick leave is accrued without limitation. Upon retirement from the school system, a certified employee receives from the District an amount equal to 30% of the value of accumulated sick leave at the current daily rate of pay. At June 30, 2013, the estimate for those employees with 27 or more years of service is $130,394, in which $73,316 is short-term and $55,078 is long term, both recorded on the District-wide financial statements.

NOTE 6. CAPITAL ASSETS

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 positions 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 positions 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 $5,000 or more, including all workstations, and has a useful life of more than one year. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

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

Description	Estimated Life in Years
Buildings and Improvements	40
Land Improvements	20
Technology Equipment	5
Vehicles	5-14
Food Service Equipment	7
Furniture and Fixtures	7
Other	10

NOTE 6. CAPITAL ASSETS (CONTINUED)

Governmental Assets

	June 30, 2012	Additions	Retirements	June 30, 2013
Cost				
Land	$ 175,321	$ -	$ -	$ 175,321
Land Improvements	665,254	-	-	665,254
Buildings & Improvements (Restated)	13,291,654	3,212,471	-	16,504,125
Technology Equipment	1,071,682	21,942	(51,072)	1,042,552
Other	655,279	-	(16,269)	639,010
Vehicles	1,330,343	161,942	-	1,492,285
Construction in Progress (Restated)	2,954,576	-	(2,954,576)	-
Totals at historical cost	$ 20,144,109	$ 3,396,355	$ (3,021,917)	$ 20,518,547
Less: Accumulated Depreciation				
Land Improvements	349,323	20,083	-	369,406
Buildings & Improvements (Restated)	3,412,913	563,076	-	3,975,989
Technology Equipment	911,491	67,594	(51,072)	928,013
Other	239,028	27,433	(15,479)	250,982
Vehicles	1,104,910	70,389	-	1,175,299
Total accumulated depreciation	6,017,665	748,575	(66,551)	6,699,689
NET	$ 14,126,444	$ 2,647,780	$ (2,955,366)	$ 13,818,858
Business Assets				
Cost				
Buildings & Improvements	$ 38,206	$ -	$ -	$ 38,206
Technology Equipment	7,312	-	(1,588)	5,724
General Equipment	491,119	-	(6,634)	484,485
Construction in Progress (Restated)	-	-	-	-
Totals at historical cost	$ 536,637	$ -	$ (8,222)	$ 528,415
Less: Accumulated Depreciation				
Buildings & Improvements	35,203	673	-	35,876
Technology Equipment	6,945	137	(1,588)	5,494
General Equipment	154,451	36,281	(3,977)	186,755
Total accumulated depreciation	196,599	37,091	(5,565)	228,125
NET	$ 340,038	$ (37,091)	$ (2,657)	$ 300,290

NOTE 7. GENERAL LONG-TERM DEBT AND LEASE OBLIGATIONS

The District is required to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Cumberland County School District Finance Corporation to construct school facilities. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund in accordance with state law.

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

Bond Issue	Original Amount	Maturity Dates	Interest Rates	2012 Outstanding Balance	Additions	Retirements	2013 Outstanding Balance
1996 Series	235,000	9/1/2016	4.50-5.7%	80,000	-	80,000	-
2004 Energy Bonds	2,455,000	4/1/2022	2.10-4.50%	1,630,000	-	1,630,000	-
2007 Bonds	3,750,000	4/1/2027	3.75%-3.875%	3,285,000	-	160,000	3,125,000
2008 Bonds	4,895,000	6/1/2028	2.25%-4.0%	4,480,000	-	210,000	4,270,000
2011 QZAB	3,250,000	4/1/2026	5.30%	3,088,301	-	161,699	2,926,602
2013 Bond	1,705,000	4/1/2022	1.25%	-	1,705,000	15,000	1,690,000
			TOTAL	$12,563,301	$1,705,000	$2,256,699	$12,011,602

The District has entered into "participation agreements" with the School Facilities Commission. The Kentucky General Assembly created the Commission for the purpose of assisting local school districts in meeting school construction needs. The table on page 32 sets forth the amount to be paid by the District and the Commission for each year until maturity of all bonds issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding. The District is liable for all issues; however, School Facilities Construction Commission participates by contributing those portions of debt that are appropriated in the State's biennial budget.

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. The Schedule of Total Bonded Debt Maturities follows on page 32.

CUMBERLAND COUNTY SCHOOLS
SCHEDULE OF DEBT PAYMENTS
AS OF JUNE 30, 2013

	CUMBERLAND COUNTY SCHOOL DISTRICT		SCHOOL FACILITIES CONSTRUCTION		
YEAR	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	TOTAL
2014	638,241	246,180	88,458	55,384	1,028,263
2015	647,983	234,071	93,716	52,296	1,028,066
2016	664,794	221,174	96,905	49,067	1,031,940
2017	685,321	207,574	96,378	45,722	1,034,995
2018	699,822	193,093	91,877	42,304	1,027,096
2019	721,331	177,734	95,368	38,812	1,033,245
2020	737,659	161,388	99,040	35,141	1,033,228
2021	758,846	144,551	102,853	31,328	1,037,578
2022	774,886	126,771	106,813	27,368	1,035,838
2023	595,747	108,346	110,952	23,229	838,274
2024	616,448	91,527	115,251	18,929	842,155
2025	631,982	73,512	119,717	14,463	839,674
2026	1,476,858	54,882	124,356	9,824	1,665,920
2027	510,825	35,444	129,175	5,006	680,450
2028	380,000	15,200	-	-	395,200
TOTAL	$ 10,540,743	$ 2,091,447	$ 1,470,859	$ 448,873	$14,551,922

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

KISTA Issue	Original Amount	Maturity Dates	Interest Rates	2012 Outstanding Balance	Additions	Retirements	2013 Outstanding Balance
2004B Kista	115,000	5/1/2014	2.0-4.25%	20,000	-	10,000	10,000
2005 Kista	129,563	3/1/2015	3.0%-3.625%	38,385	-	13,998	24,387
2006 Kista	134,034	3/1/2016	3.3%-4.0%	54,169	-	14,097	40,072
2009 Kista	154,745	3/1/2020	2.0%-3.6%	121,585	-	14,481	107,104
2012 Kista	167,952	3/1/2022	2.0-2.625%	-	167,952	18,267	149,685
			TOTAL	$ 234,139	$ 167,952	$ 70,843	$ 331,248

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

CUMBERLAND COUNTY SCHOOLS
SCHEDULE OF CAPITAL LEASE PAYMENTS
AS OF JUNE 30, 2013

	CUMBERLAND COUNTY SCHOOL DISTRICT		
YEAR	PRINCIPAL	INTEREST	TOTALS
2014	70,329	9,255	79,584
2015	55,946	7,151	63,097
2016	44,718	5,514	50,232
2017	32,474	4,221	36,695
2018	33,287	3,412	36,699
2019	31,575	2,540	34,115
2020	32,388	1,712	34,100
2021	15,040	783	15,823
2022	15,491	407	15,898
TOTAL	$ 331,248	$ 34,995	$ 366,243

NOTE 8. OPERATING FUND TRANSFERS

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Matching	General	Special Revenue	KETS offer of Assistance	$ 19,349
Operating	Special Revenue	General	Indirect cost transfer	2,280
Operating	School Food Service	General	Indirect cost transfer	29,795
Operating	School Age Child Care	General	Indirect cost transfer	3,105
Operating	Building Fund	Debt Service	Bond Payments	766,827
Operating	Capital Outlay	General	Capital Funds Request	91,072
Operating	Construction	Debt Service	Bond Payments	161,699
Operating	General	Debt Service	KISTA Payments	82,297
			Total Transfers	$ 1,156,424

NOTE 9. DEFICIT OPERATING BALANCES

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

General Fund	($139,145)
Construction Fund	($408,339)
Building Fund	($106,821)
Capital Outlay Fund	($261)
Food Service	($31,915)
School Age Child Care	($10,996)

NOTE 10. RISK MANAGEMENT

Liability Insurance Coverage

The District is exposed to various risks related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District has commercial insurance through WRM-America. The District pays an annual premium for coverage.

Health Care Coverage

Full-time employees of the District are covered by the State administered medical insurance plan. The State contributes a variable amount to each employee's account based upon the employee's plan choice. Medical insurance coverage paid by the State on behalf of District employees has been recorded as a revenue and expenditure in the General Fund. Under COBRA, employers are mandated to notify Ceridian Benefits Services of terminated employees. Ceridian Benefit Services then notifies terminated employees of available continuing insurance coverage. Failure to notify Ceridian Benefits Services of employee terminations can put the District at risk of paying the premiums.

Worker's Compensation

The District participates with Kentucky School Boards Insurance Trust. Contributions to the Worker's Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount.

Unemployment Insurance

The District obtains unemployment insurance coverage through the Kentucky Board of Educations Insurance Trust Unemployment Compensation Fund; however, the risk has not been transferred to such fund.

NOTE 11. COMMITMENTS AND CONTINGENCIES

Litigation

The District is not currently named as defendants in any lawsuits to the knowledge of the School District and the District's attorney.

Grant Programs

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2013 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements.

NOTE 12. BUDGETARY DISCLOSURE REQUIREMENTS

Budgetary comparisons for the General Fund and Special Revenue Fund are disclosed as required supplementary information. "On behalf" contributions made by the Commonwealth of Kentucky were recorded in the District's records as revenues and expenditures. The purpose of the policy change was to conform to requirements of the GASB 34 reporting model. The District's budget appropriations did reflect this change in policy because Kentucky Department of Education directed to budget for on behalf payments.

NOTE 13. ON-BEHALF PAYMENTS

The District receives on-behalf payments from the State of Kentucky for items including retirement and insurance. The amount received for the fiscal year ended June 30, 2013 was $1,845,737. These payments were recorded as follows:

General Fund	$ 1,657,461
Debt Service	143,304
Food Service	33,727
School Age Child Care	11,245
	$ 1,845,737

NOTE 14. PRIOR PERIOD ADJUSTMENT

The Government-Wide financial statements' beginning balance did not reflect accurately the actual beginning net positions due construction in progress, being restated.

Net Position July 1, 2012	$ 2,632,290
Prior Period Adjustment	146,316
Restated Net Position July 1, 2012	$ 2,778,606

CUMBERLAND COUNTY SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE

For the year ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)	Variance % Favorable (Unfavorable)
REVENUES					
From local sources					
Taxes					
Property taxes	$ 674,000	$ 674,000	$ 714,952	$ 40,952	6.08%
Motor vehicle taxes	204,000	204,000	208,960	4,960	2.43%
Utility taxes	400,000	400,000	415,467	15,467	3.87%
Other taxes	305,000	305,000	288,303	(16,697)	-5.47%
Earnings on investments	50,000	50,000	31,982	(18,018)	-36.04%
Other local revenues	13,560	21,560	38,575	17,015	78.92%
State Sources					
SEEK	4,111,574	4,111,574	4,076,725	(34,849)	-0.85%
On Behalf	-	1,613,563	1,657,461	43,898	2.72%
Other	18,610	18,610	16,984	(1,626)	-8.74%
Federal-Indirect	-	-	5,338	5,338	100.00%
Other	600	600	-	(600)	-100.00%
Inter-fund transfers	72,089	121,957	126,252	4,295	3.52%
Beginning Balance	1,015,553	1,015,553	1,085,532	69,979	6.89%
TOTAL REVENUES	6,864,986	8,536,417	8,666,531	130,114	1.52%
EXPENDITURES					
Instructional	3,195,173	4,620,341	4,646,574	(26,233)	-0.57%
Student services					
Student	403,467	435,800	398,990	36,810	8.45%
Instructional staff	213,445	270,913	260,783	10,130	3.74%
District administrative	238,748	269,508	330,596	(61,088)	-22.67%
School administrative	460,285	460,285	468,188	(7,903)	-1.72%
Business	281,755	308,513	328,023	(19,510)	-6.32%
Plant operation and maintenance	735,107	797,791	689,958	107,833	13.52%
Student transportation	500,389	544,235	494,121	50,114	9.21%
Community Services	2,048	2,048	754	1,294	63.18%
Debt service	600	600	500	100	16.67%
Other	300	300	11	289	96.33%
Inter-fund transfers	190,011	105,553	101,646	3,907	3.70%
Contingency	643,658	720,530	-	720,530	100.00%
TOTAL EXPENDITURES	6,864,986	8,536,417	7,720,144	816,273	9.56%
Excess (Deficit) of Revenues Over Expenditures	$ -	$ -	$ 946,387	$ 946,387	11.09%

NOTE: BUDGET INFORMATION IS DERIVED FROM THE DISTRICT'S ANNUAL FINANCIAL REPORT, WHICH MAY VARY FROM THE BASIC FINANCIAL STATEMENTS. THE VARIATIONS ARE PRIMARILY DUE TO PRESENTATION OF OTHER FINANCING SOURCES (USES) OF FUNDS AND TRANSFERS.

CUMBERLAND COUNTY SCHOOL DISTRICT
SPECIAL FUND
BUDGETARY COMPARISON SCHEDULE

For the year ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)	Variance % Favorable (Unfavorable)
REVENUES					
From local sources					
Earnings on investments	$ -	$ -	$ 69	$ 69	100.00%
Intergovernmental - state	350,419	353,592	374,816	21,224	6.00%
Intergovernmental - Federal	1,400,053	1,539,499	1,404,374	(135,125)	-8.78%
Inter-fund transfers	23,056	19,349	19,349	-	0.00%
TOTAL REVENUES	1,773,528	1,912,440	1,798,608	(113,832)	-5.95%
EXPENDITURES					
Instructional	1,280,821	1,415,652	1,305,080	110,572	7.81%
Student services:					
Student	-	10,000	7,658	2,342	23.42%
Instructional staff	391,694	385,005	385,695	(690)	-0.18%
Business	-	-	2,879	(2,879)	-100.00%
Student transportation	20,096	20,865	16,378	4,487	21.50%
Community services	78,637	78,638	78,638	-	0.00%
Inter-fund transfers	2,280	2,280	2,280	-	0.00%
TOTAL EXPENDITURES	1,773,528	1,912,440	1,798,608	113,832	5.95%
Excess (Deficit) of Revenues Over Expenditures	$ -	$ -	$ -	$ -	0.00%

NOTE: BUDGET INFORMATION IS DERIVED FROM THE DISTRICT'S ANNUAL FINANCIAL REPORT, WHICH MAY VARY FROM THE BASIC FINANCIAL STATEMENTS. THE VARIATIONS ARE PRIMARILY DUE TO PRESENTATION OF OTHER FINANCING SOURCES (USES) OF FUNDS AND TRANSFERS.

CUMBERLAND COUNTY SCHOOL DISTRICT

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS

As of June 30, 2013

	Building Fund	Capital Outlay Fund	Total Non-Major Funds
ASSETS			
Cash and cash equivalents	$ 44,050	$ 19,165	$ 63,215
Total assets	$ 44,050	$ 19,165	$ 63,215
LIABILITIES AND FUND BALANCES			
Fund Balances			
Restricted:			
SFCC Escrow	$ 44,050	$ 19,165	$ 63,215
Total fund balances	$ 44,050	$ 19,165	$ 63,215

CUMBERLAND COUNTY SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

NON-MAJOR GOVERNMENTAL FUNDS

For the year ended June 30, 2013

	Building Fund	Capital Outlay Fund	Total Non-major Govt. Funds
Revenues			
From local sources			
Property taxes	$ 327,866	$ -	$ 327,866
Earning on Investments	129	55	184
State sources			
SEEK	332,410	91,072	423,482
Total revenues	660,405	91,127	751,532
Expenditures			
Support services			
Plant operation and maintenance	-	316	316
Debt service	399	-	399
Total expenditures	399	316	715
Excess (deficit) of revenues over expenditures	660,006	90,811	750,817
Other Financing Sources (Uses)			
Operating transfers out	(766,827)	(91,072)	(857,899)
Total other financing sources (uses)	(766,827)	(91,072)	(857,899)
Net change in fund balances	(106,821)	(261)	(107,082)
Fund balance, July 1, 2012	150,871	19,426	170,297
Fund balance, June 30, 2013	$ 44,050	$ 19,165	$ 63,215

CUMBERLAND COUNTY SCHOOL DISTRICT
CUMBERLAND COUNTY HIGH SCHOOL ACTIVITY FUND
ALL FUNDS COMBINED
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
For the year ended June 30, 2013

Individual Funds	Cash Balance June 30, 2012	Receipts	Disbursements	Transfers In (Out)	Ending Cash and Fund Balance June 30, 2013
General	$ 2,521	$ 5,192	$ (5,688)	$ 1,177	$ 3,202
Book	17	-	-	-	17
Library	84	509	(497)	-	96
Concessions	11,676	2,712	(3,912)	3	10,479
Flowers	3,176	1,723	(2,104)	(171)	2,624
Donation Fund	53	227	(166)	-	114
Student Rewards	29	50	-	-	79
21st Century	1,410	1,097	(1,410)	-	1,097
VSA Grant	-	1,200	(1,197)	-	3
Beta	1,091	14,247	(12,720)	330	2,948
FCCLA	1,593	7,818	(8,665)	374	1,120
FFA Club	464	21,046	(21,328)	1,000	1,182
Drama Club	1,083	168	(252)		999
Y Club	161	-	-	(161)	-
STLP	124	170	(220)		74
FBLA	2,266	5,785	(4,938)		3,113
Academic Team	981	2,000	(776)		2,205
FCA	27	-	-	-	27
Vocational Agriculture	10,133	13,209	(10,629)	(1,250)	11,463
Industrial Tech	239	2,929	(2,985)	268	451
Art	236	20	-	-	256
English	448	564	(423)	-	589
Biology	724	-	-	-	724
Spanish	1,143	645	(538)		1,250
Special Education	392	-	(52)		340
Math & Science Club	660	-	-	(330)	330
Athletic	52,633	47,908	(47,568)	26	52,999
Cheerleading	161	2,275	(1,625)	-	811
Archery	220	140	(196)		164
Seniors 2013	960	1,621	(1,465)	(1,116)	-
Seniors 2014	-	2,850	(2,568)	(150)	132
Yearbook	13,647	6,873	(6,081)	-	14,439
Guidance	7	416	(102)	-	321
Lewis Williams AC	3,430	1,405	(500)	-	4,335
Total	$ 111,789	$ 144,799	$ (138,605)	$ -	$ 117,983

CUMBERLAND COUNTY SCHOOL DISTRICT
ELEMENTARY AND MIDDLE SCHOOLS ACTIVITY FUNDS
ALL FUNDS COMBINED
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
For the year ended June 30, 2013

Schools	Cash Balance June 30, 2012	Receipts	Disbursements	Cash Balance And Fund Balance June 30, 2013
Cumberland County				
Elementary School	$ 27,121	$ 61,280	$ (59,955)	$ 28,446
Middle School	81,149	86,319	(92,076)	75,392
Family Resource Savings	11,836	127	-	11,963
Family Resource Center	32,101	9,421	(8,009)	33,513
Total	$ 152,207	$ 157,147	$ (160,040)	$ 149,314

CUMBERLAND COUNTY PUBLIC SCHOOLS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2013

Program Title	Munis No.	Federal CFDA No.	Expenditures	Total By CFDA No.
U. S. DEPARTMENT OF AGRICULTURE		*Cluster*		
Passed Through Kentucky Department of Education:				
Child Nutrition Cluster				
School Breakfast Program - Child Nutrition Cluster	*2030*	10.553	$ 114,930	
National School Lunch Program - Child Nutrition Cluster	*2050*	10.555	341,777	$ 456,707 **
Passed Through Kentucky Department of Agriculture:				
Food Distribution Cluster				
Commodity Supplemental Food Program	*2010*	10.565	33,374	33,374
TOTAL U.S. DEPARTMENT OF AGRICULTURE				490,081
U. S. DEPT. OF EDUCATION				
Passed Through Kentucky Department of Education:				
Adult Education - Core Services / Family Literacy	*3733*	84.002	31,941	
Adult Education - Prof/Staff Development	*3733S*	84.002	769	
Recruitment, Retention and Results	*3653*	84.002	2,794	35,504
Title I Cluster				
Title I: Part A - Improving Basic Programs	*3102*	84.010	97,375	
Title I: Part A - Improving Basic Programs	*3103*	84.010	349,913	
Title I - Deferred Amount	*3102T*	84.010	59,082	
Title I - Professional Development - District Improvement	*3101D*	84.010	6,000	
Title I - Professional Development - District Improvement	*3102D*	84.010	18,351	
Title I - Parent Involvement	*3102M*	84.010	1,591	
Title I - Parent Involvement	*3103M*	84.010	3,261	
Title I - School Improvement Funds	*3201*	84.010	9,756	
Title I - School Improvement Funds	*3202*	84.010	54,068	599,397 **
Title I - Migrant Education	*3113*	84.011	7,658	7,658
Special Education Cluster				
IDEA B - BASIC - Special Education Cluster	*3372*	84.027	95,210	
IDEA B - BASIC - Special Education Cluster	*3373*	84.027	119,220	
IDEA B - Preschool - Special Education Cluster	*3433*	84.173	13,257	227,687 **
Career and Technical Education (Carl D. Perkins)	*3482*	84.048	808	
Career and Technical Education (Carl D. Perkins)	*3483*	84.048	13,060	13,868
Homeless Children and Youth	*3163*	84.196	8,734	8,734
21st Century Community Learning Center - Elementary School	*5501E*	84.287	14,078	
21st Century Community Learning Center - Elementary School	*5502E*	84.287	74,988	
21st Century Community Learning Center - Middle School	*5501C*	84.287	22,989	
21st Century Community Learning Center - Middle School	*5502C*	84.287	44,714	
21st Century Community Learning Center - High School	*5501*	84.287	22,026	
21st Century Community Learning Center - High School	*5502*	84.287	113,974	
21st Century Community Learning Center - Supplemental Funds	*5501J*	84.287	14,720	
21st Century Community Learning Center - Summer Program	*5502S*	84.287	4,699	
21st Century Community Learning Center - Summer Program	*5503S*	84.287	8,881	321,069 **

See Accompanying Notes to Schedule of Expenditures of Federal Awards

CUMBERLAND COUNTY PUBLIC SCHOOLS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2013

Program Title	Munis No.	Federal CFDA No.	Expenditures	Total By CFDA No.
U. S. DEPT. OF EDUCATION (CONTINUED)				
Title VI: Part B, Subpart 2 - Rural & Low Income Schools	*3503*	84.358	18,934	18,934
Title II: Part A - High Quality Teachers & Principals	*4012*	84.367	326	326
ARRA - School Improvement Grants	*5600C*	84.388	50,000	50,000
Education Jobs Fund	*4411*	84.410	21,824	21,824
Race to the Top	*4521*	84.413	13,694	13,694
TOTAL U.S. DEPARTMENT OF EDUCATION				1,318,695
APPALACHIAN REGIONAL COMMISSION				
Passed through Morehead State University				
Appalachian Higher Education Network (KY AHED)	*6882*	23.011	621	
Appalachian Higher Education Network (KY AHED)	*6883*	23.011	4,169	4,790
U.S. DEPARTMENT OF LABOR				
Under contract with Lake Cumberland Area Development District				
Workforce Investment Act - Youth Activity	*5883*	17.259	48,250	
Workforce Investment Act - Youth Activity (Out-Of-School)	*5883C*	17.259	32,750	81,000
TOTAL EXPENDITURES OF FEDERAL AWARDS				$ 1,894,566

Tested as Major Program or Cluster **

See Accompanying Notes to Schedule of Expenditures of Federal Awards

CUMBERLAND COUNTY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the fiscal year ended June 30, 2013

NOTE A. BASIS OF PRESENTATION

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

NOTE B. FOOD DISTRIBUTION PROGRAM

Non-monetary assistance is reported in the Schedule at the fair value of the commodities received. The USDA provided $33,374 of commodities during the year.

CUMBERLAND COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the fiscal year ended June 30, 2013

Section 1. Summary of Auditor's Findings

Financial statements:

Type of auditor's report issued:		unqualified
Internal control over financial reporting	Yes	No
• Material weaknesses identified?		X
• Significant deficiencies identified that are not considered to be material weaknesses?		X None Reported
• Noncompliance material to financial statements noted?		X

Federal Awards:

Internal control over major programs	Yes	No
• Material weakness identified?		X
• Significant deficiencies identified that are not considered to be material weaknesses?		X None Reported
Type of auditor's report issued on compliance for major programs:		unqualified
	Yes	No
• Any audit findings disclosed that are required to be reported in accordance with section 510 (a) of Circular A-133?		X

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster
84.010	Title I Cluster
84.027, 84.173	Special Education Cluster
84.287	21st Century Learning Cluster

- Dollar threshold used to distinguish between type A and type B programs $300,000
- Auditee qualified as low-risk auditee? Yes X No ____

Section 2. Financial Statement Findings

Current Year Findings: No matters were reported

Prior Year Findings: No matters were reported

Section 3. Federal Awards Findings and Questionable Costs

Current Year Findings: No matters were reported

Prior Year Findings: No matters were reported

CUMBERLAND COUNTY SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2013

Prior Year Comments:

None Noted

ROSS & COMPANY, PLLC

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Facsimile (502) 499-9132

Members of the Board
Cumberland County School District
Burkesville, Kentucky

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*

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Office of Management and Budget Circular No. A-133, Audits of States, Local Governments, and Non-Profit Organization,* the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Cumberland County School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Cumberland County School District'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, we considered Cumberland County School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cumberland County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cumberland County School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 the 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 weakness 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 weakness may exist that have not been identified.

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
(Continued)

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls 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 controls and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,

Ross and Company, PLLC
November 6, 2013

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INDEPENDENT REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH *OMB CIRCULAR A-133*

Report on Compliance for Each Major Federal Program

We have audited Cumberland County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of Cumberland County School District's major federal programs for the year ended June 30, 2013. Cumberland County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Cumberland County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Office of Management and Budget Circular No. 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 Cumberland County School District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

INDEPENDENT REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

Opinion on Each Major Federal Program

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

Report Internal Control over Compliance

Management of Cumberland County School District is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Cumberland County School District's internal control over compliance with the types requirements that could have a direct and material effect on a major federal program to determine our auditing procedures that are appropriate in the circumstance for the purpose of expressing our 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 Cumberland County School District's internal control over compliance.

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

Our consideration of the 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 that we consider material weaknesses as defined above. 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 the 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.

Respectfully Submitted,

Ross & Company

Ross & Company, PLLC
November 6, 2013

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RECOMMENDATIONS AND COMMENTS TO MANAGEMENT

In planning and performing our audit, we considered Cumberland County School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Cumberland County School District's internal control over financial reporting.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the District's internal control in our report dated November 6, 2013. This letter does not affect our report dated November 6, 2013, on the financial statements of the Cumberland County School District. The conditions observed are as follows:

Current Year Findings –

2013-01: Handling Cash, (Redbook)

Statement of Condition: Money collected by a teacher/sponsor was held instead of given to the school treasurer on the day of collection.

Criteria for Condition: All money collected by a teacher/sponsor shall be given to the school treasurer on the day of collection per Accounting Procedures for Kentucky School Activity Funds, "Redbook."

Cause of the Condition: It appeared teachers/sponsors held money/checks for a length of time before submitting them to the school treasurer.

Effect of the Condition: Money is not deposited in a timely manner.

Recommendation for Correction: All money should be delivered to school treasurer on date of collection.

Management's Response: The superintendent and finance officer has met with principals and treasurers of each school. This issue has been discussed at a faculty meeting and staff has been asked to correct his issue by following proper procedures as to delivering money to the school treasurer on the date the money is collected.

2013-02 Insufficient Funds Recording (Redbook)

Statement of Condition: Returned check were not properly recorded in the books

Criteria for Condition: Checks returned for insufficient funds shall be re-deposited on a separate deposit slip indicating negative and positive entries in order to prevent receipts from being overstated. Documentation relating to returned checks shall be filed with the bank statements for audit trail per Accounting Procedures for Kentucky School Activity Funds, "Redbook."

Cause of the Condition: A returned check was not recorded in the system, nor was the redeposit of the check.

Effect of the Condition: Since both sides of the transaction were not recorded, there was no effect on the end financials, however when tracing back deposits and disbursements to the ledger, amounts were overstated.

Recommendation for Correction: Insufficient funds checks should be recorded once at time of return and time of redeposit.

Management's Response: Management has discussed this issue with all principals and treasurers. Everyone is aware of the new process for handling returned checks and will implement the procedure immediately.

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

Prior year comments-

2012-01: Handling Cash, (Redbook):

Status: Repeat

2012-02: Issuance of Receipts, (Redbook):

Status: Corrected

2012-03: Deposits over $100, (Redbook)

Status: Corrected

If any action occurs after this exit conference date, which affects the significant or material findings, it is the responsibility of management to provide that information to the auditors.

We sincerely appreciate the courtesy extended to our audit staff again this year. Of course, should you have any questions or concerns regarding your audit, please feel free to contact us.

Respectfully Submitted,

Ross & Company, PLLC
November 6, 2013