

GREEN COUNTY SCHOOL DISTRICT

**BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2013**

with

INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for
School District Audits
Members of the Board of Education
Green County School District
Greensburg, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Green County School District (District), 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 *Appendix I to the Independent Auditor's Contract – General Audit Requirements*, *Appendix II to the Independent Auditor's Contract – State Audit Requirements*, *Appendix III to the Independent Auditor's Contract – Audit Extension Request*, and *Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Green 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2013 the District adopted new accounting guidance, Government Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and budgetary comparison information on pages 4 through 7, and 35 through 36, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information, and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedules of receipts, disbursements, and due to student groups related to school activity funds are presented for purposes of additional analysis, and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

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

Mather & Co. CPAs, LLC

Mather & Co. CPAs, LLC
Louisville, Kentucky

November 6, 2013

GREEN COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED)

Year ended June 30, 2013

The Green County Board of Education (District) offers the following narrative of the financial statements 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 financial statements.

FINANCIAL HIGHLIGHTS

- The beginning fund balance for the District was \$1,690,292, which includes General Fund balance of \$951,629, Special Revenue Fund balance of \$0, School Construction Fund balance of \$0, Capital Outlay Fund balance of \$0, Building Fund balance of \$427,757, and Food Service Fund balance of \$310,906.
- The Green County School District participated in the Race to the Top Grant, which is a 42 million dollar consortium wide grant that focuses on personalized learning and student achievement.
- The General Fund had \$13,237,896 in revenue, which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes. (Includes \$2,608,954 in on-behalf payments.)

OVERVIEW OF FINANCIAL STATEMENTS

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

The government-wide financial statements are designed to provide an overview of the District's finances, in a manner similar to a private-sector business. The statement of net position presents information on all of the District's assets and liabilities. The increases or decreases in assets and liabilities over time will be helpful in determining the financial status of the District.

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

The government-wide financial statements can be found on pages 8 and 9 of this report.

Fund financial statements is a grouping of related accounts that is used to maintain control over resources for specific activities and objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts. The District uses fund accounting to ensure compliance with financial and legal requirements. All of the District's funds are divided into three categories: governmental, proprietary, and fiduciary funds. Fiduciary funds are set up to help aid in supporting students and teachers in the education process. The proprietary funds are our school food service operations. All other activities of the District are considered as governmental funds.

The basic governmental fund financial statements can be found on pages 10 through 13 of this report.

The notes provide additional information to the understanding of the data provided within our financial statements. The notes for the financial statements can be found on pages 19 through 34 of this report.

The 2013 financial statements represent complete implementation of GASB Statement No. 34, which began in fiscal year 2004. The following is a breakdown of Governmental Activities from the statement of net position:

Current Assets	\$ 1,754,538
Noncurrent Assets	<u>20,274,225</u>
Total Assets	\$ 22,028,763
Deferred Outflows of Resources	\$ 225,250
Current Liabilities	\$ 1,063,845
Noncurrent Liabilities	<u>15,284,435</u>
Total Liabilities	\$ 16,348,280
Investment in Capital Assets, net of related debt	\$ 5,081,000
Restricted	416,385
Unrestricted	<u>408,348</u>
Total Net Position	\$ 5,905,733

Comments on Budget Comparisons

- The District's General Fund total revenue budget for the 2013 fiscal year was \$11,389,295. The District's actual General Fund revenues were \$13,237,896. (On-behalf payments of \$2,608,954 not included in budgeted revenues.)

- The District's General Fund total expenditures budget for the 2013 fiscal year was \$11,389,295. The District's actual General Fund expenditures were \$13,060,217. (On-behalf payments of \$2,608,954 not included in budgeted expenditures.)
- The fund balance at the end of the 2013 fiscal year for the General Fund was \$1,129,308. This is approximately a 10% contingency.

The following table is a summary/breakdown of the District's General Fund revenue and expenditures for the year ended June 30, 2013:

Revenue	
Local Revenue	\$ 2,363,731
State Revenue	10,162,700
Federal Revenue	4,082
Other financing sources	<u>707,393</u>
Total Revenue (including other financing sources)	13,237,896
Expenditures	
Instruction	7,845,910
Student support services	388,961
Instructional staff support services	525,360
District administration	571,604
School administration	814,747
Business support services	324,800
Plant operations and maintenance	1,295,479
Student transportation	1,264,506
Community services	1,108
Debt service	-
Fund transfers	<u>24,742</u>
Total Expenditures (including other financing uses)	<u>13,060,217</u>
Net change in fund balance	<u>\$ 177,679</u>

Grant Information

The following is a list of significant grants and revenue received during the 2013 fiscal year:

State Grants	
Extended School Services	\$ 277,691
Family Resource/Youth Service Centers	156,751
Gifted and Talented	19,955

State Grants	
Professional Development	\$ 6,758
KETS (matching)	24,742
Safe Schools Grant	13,520
Ready to Achieve	97,000
KERA Pre-School	169,105
Federal Grants	
Total	\$ 1,510,108
Local Grants	
WHAS Grant	\$ 11,088

The Schedule of Federal expenditures can be found on pages 40 to 41 of the report.

The Title I grant was allocated to our elementary schools and our middle school. These supplemental funds are used for salaries, supplies, parent involvement activities, travel, and professional development. These funds are used school wide. The primary focus of the Title I program is based on the academic need of each individual school.

The Vocational Funds are allocated between the Vocational Ag. Department and the Home Ec. Department at the Green County High School. These funds were used for equipment, computers, and travel for the teachers.

The IDEA B Basic and IDEA B Preschool funds are generated on the December 1 child count. These funds are used for salaries, supplies, special equipment, professional development, consultant fees, and travel expenses.

The Title II – Quality Teacher Grant is allocated to two of our elementary schools. This grant is used for certified salaries. The grant helps in staff reduction at each of these schools.

The District also receives funds for Adult Education Programs. These funds help adults in our community in preparation for the GED test.

The Drug Free Communities Grant was allocated across the District. These funds are used for salaries, supplies, and various programs to reduce substance abuse among youth, and over time, reduce the abuse among adults.

The Education Jobs Fund (Ed Jobs) uses funds to retain existing employees and to hire new employees to provide early childhood, elementary, or secondary educational and related services.

If you have any questions, please contact the Superintendent or Finance Director at (270) 932-6601 or P O Box 369, Greensburg, Kentucky 42743.

GREEN COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2013

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
ASSETS			
Cash	\$ 1,420,369	\$ 208,160	\$ 1,628,529
Receivables:			
Taxes	112,735	-	112,735
Other	17,648	-	17,648
Intergovernmental – State	1,129	-	1,129
Intergovernmental – Federal	202,657	39,325	241,982
Net capital assets	<u>20,274,225</u>	<u>286,926</u>	<u>20,561,151</u>
Total assets	22,028,763	534,411	22,563,174
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on bond refunding	225,250	-	225,250
LIABILITIES			
Accounts payable	23,044	-	23,044
Other payroll liabilities	9,969	-	9,969
Unearned revenue	84,122	-	84,122
Current maturities of bond obligations	855,000	-	855,000
Current portion of accumulated sick leave	91,710	-	91,710
Interest payable	228,225	-	228,225
Noncurrent maturities of bond obligations	14,110,000	-	14,110,000
Noncurrent portion of accumulated sick leave	643,710	-	643,710
Accrued insurance claims liability	<u>302,500</u>	<u>-</u>	<u>302,500</u>
Total liabilities	<u>16,348,280</u>	<u>-</u>	<u>16,348,280</u>
NET POSITION			
Invested in capital assets, net of related debt	5,081,000	286,926	5,367,926
Restricted for:			
Capital expenditures/debt service	416,385	-	416,385
Unrestricted	<u>408,348</u>	<u>247,485</u>	<u>655,833</u>
Total net position	<u>\$ 5,905,733</u>	<u>\$ 534,411</u>	<u>\$ 6,440,144</u>

See accompanying notes.

GREEN COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year ended June 30, 2013

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		<u>Total</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
FUNCTIONS/PROGRAMS							
Governmental activities							
Instruction	\$ 10,144,293	\$ -	\$ 3,296,571	\$ -	\$ (6,847,722)	\$ -	\$ (6,847,722)
Student support services	422,626	-	109,258	-	(313,368)	-	(313,368)
Instructional staff support services	594,170	-	156,142	-	(438,028)	-	(438,028)
District administration	619,463	-	112,585	-	(506,878)	-	(506,878)
School administration	845,241	-	174,421	-	(670,820)	-	(670,820)
Business support services	324,952	-	63,908	-	(261,044)	-	(261,044)
Plant operations and maintenance	1,768,907	-	254,156	-	(1,514,751)	-	(1,514,751)
Student transportation	1,463,326	-	281,032	-	(1,182,294)	-	(1,182,294)
Community services	165,632	-	164,524	-	(1,108)	-	(1,108)
Interest	611,182	-	-	611,182	-	-	-
Total governmental activities	16,959,792	-	4,612,597	611,182	(11,736,013)	-	(11,736,013)
Business-type activities							
Food service	1,311,744	265,159	972,650	-	-	(73,935)	(73,935)
Total business-type activities	1,311,744	265,159	972,650	-	-	(73,935)	(73,935)
Total primary government	<u>\$ 18,271,536</u>	<u>\$ 265,159</u>	<u>\$ 5,585,247</u>	<u>\$ 611,182</u>	(11,736,013)	(73,935)	(11,809,948)
			General revenues				
			Taxes:				
			Property		1,803,631	-	1,803,631
			Motor vehicle		266,113	-	266,113
			Utilities		547,775	-	547,775
			Tuition and fees		10,869	-	10,869
			Earnings on investments		37,921	4,536	42,457
			State grants		8,642,977	-	8,642,977
			Federal grants		4,082	-	4,082
			Other local amounts		139,240	-	139,240
			Total general revenues		11,452,608	4,536	11,457,144
			Loss before operating transfers		(283,405)	(69,399)	(352,804)
			Operating transfers in (out)		44,071	(44,071)	-
			Change in net position		(239,334)	(113,470)	(352,804)
			Net position as of July 1, 2012, as previously reported		6,430,771	647,881	7,078,652
			Change in accounting principal		(285,704)	-	(285,704)
			Net position as of July 1, 2012, as restated		6,145,067	647,881	6,792,948
			Net position as of June 30, 2013		<u>\$ 5,905,733</u>	<u>\$ 534,411</u>	<u>\$ 6,440,144</u>

See accompanying notes.

GREEN COUNTY SCHOOL DISTRICT

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2013

	General Fund	Special Revenue Funds	SEEK Capital Outlay Fund	Facility Support Program (FSPK) Fund	School Construction Fund	Debt Service Fund	Total Governmental Funds
ASSETS							
Cash	\$ 1,003,984	\$ -	\$ -	\$ 416,385	\$ -	\$ -	\$ 1,420,369
Receivables:							
Taxes	112,735	-	-	-	-	-	112,735
Other	17,648	-	-	-	-	-	17,648
Intergovernmental – State	-	1,129	-	-	-	-	1,129
Intergovernmental – Federal	-	202,657	-	-	-	-	202,657
Due from Special Revenue Funds	<u>119,664</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>119,664</u>
Total assets	<u>\$ 1,254,031</u>	<u>\$ 203,786</u>	<u>\$ -</u>	<u>\$ 416,385</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,874,202</u>
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 23,044	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,044
Due to General Fund	-	119,664	-	-	-	-	119,664
Accrued payroll liabilities	9,969	-	-	-	-	-	9,969
Unearned revenue	-	84,122	-	-	-	-	84,122
Current portion of accumulated sick leave	<u>91,710</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>91,710</u>
Total liabilities	124,723	203,786	-	-	-	-	328,509
Fund balances							
Restricted for:							
Capital expenditures/ debt service	-	-	-	416,385	-	-	416,385
Committed for sick leave	83,357	-	-	-	-	-	83,357
Assigned to Site Based Council	41,684	-	-	-	-	-	41,684
Unassigned	<u>1,004,267</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,004,267</u>
Total fund balances	<u>1,129,308</u>	<u>-</u>	<u>-</u>	<u>416,385</u>	<u>-</u>	<u>-</u>	<u>1,545,693</u>
Total liabilities and fund balances	<u>\$ 1,254,031</u>	<u>\$ 203,786</u>	<u>\$ -</u>	<u>\$ 416,385</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,874,202</u>

See accompanying notes.

GREEN COUNTY SCHOOL DISTRICT

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

June 30, 2013

Total fund balances – governmental funds	\$ 1,545,693
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$31,705,717, and the accumulated depreciation is \$11,431,492.	20,274,225
Deferred loss on bond refunding is not a current financial resource and therefore is reported as deferred outflows of resources in governmental funds.	225,250
Bonds payable are not reported in the governmental fund balance sheet because they are not due and payable in the current period, but they are presented in the statement of net position.	(14,965,000)
Noncurrent portion of accumulated sick leave is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	(643,710)
Interest payable is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	(228,225)
Accrued insurance claims liability is not reported in the government fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	<u>(302,500)</u>
Total net position – governmental activities	<u>\$ 5,905,733</u>

See accompanying notes.

GREEN COUNTY SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended June 30, 2013**

	General Fund	Special Revenue Funds	SEEK Capital Outlay Fund	Facility Support Program (FSPK) Fund	School Construction Fund	Debt Service Fund	Total Governmental Funds
Revenues							
From local sources:							
Taxes:							
Property	\$ 1,368,825	\$ -	\$ -	\$ 434,806	\$ -	\$ -	\$ 1,803,631
Motor vehicle	266,113	-	-	-	-	-	266,113
Utilities	547,775	-	-	-	-	-	547,775
Tuition and fees	10,869	-	-	-	-	-	10,869
Earnings on investments	33,721	-	-	4,200	-	-	37,921
Other local	136,428	18,861	-	-	-	-	155,289
Intergovernmental – State	10,162,700	536,061	154,647	686,384	-	797,995	12,337,787
Intergovernmental – Federal	4,082	1,510,108	-	-	-	-	1,514,190
Total revenues	12,530,513	2,065,030	154,647	1,125,390	-	797,995	16,673,575
Expenditures							
Current:							
Instruction	7,845,910	1,779,605	-	-	-	-	9,625,515
Student support services	388,961	32,725	-	-	-	-	421,686
Instructional staff support services	525,360	66,455	-	-	-	-	591,815
District administration	571,604	-	-	-	-	-	571,604
School administration	817,747	13,520	-	-	-	-	831,267
Business support services	324,800	-	-	-	-	-	324,800
Plant operations and maintenance	1,295,479	-	-	-	-	-	1,295,479
Student transportation	1,264,506	32,943	-	-	-	-	1,297,449
Community services	1,108	164,524	-	-	-	-	165,632
Debt service	-	-	-	-	-	1,428,904	1,428,904
Total expenditures	13,035,475	2,089,772	-	-	-	1,428,904	16,554,151
Excess (deficit) of revenues over (under) expenditures	(504,962)	(24,742)	154,647	1,125,390	-	(630,909)	119,424
Other financing sources (uses)							
Other	2,812	-	-	-	-	-	2,812
Operating transfers in	704,571	24,742	-	-	-	630,909	1,360,222
Operating transfers out	(24,742)	-	(154,647)	(1,136,762)	-	-	(1,316,151)
Total other financing sources (uses)	682,641	24,742	(154,647)	(1,136,762)	-	630,909	46,883
Net change in fund balance	177,679	-	-	(11,372)	-	-	166,307
Fund balance as of July 1, 2012	951,629	-	-	427,757	-	-	1,379,386
Fund balance as of June 30, 2013	\$ 1,129,308	\$ -	\$ -	\$ 416,385	\$ -	\$ -	\$ 1,545,693

See accompanying notes.

GREEN COUNTY SCHOOL DISTRICT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended June 30, 2013**

Net change in total fund balances – governmental funds	\$ 166,307
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in the governmental fund financial statements because they use current financial resources, but are presented as assets in the statement of net position and depreciated over their estimated useful lives. Related depreciation expense is reported in the statement of activities. The difference is the amount by which depreciation expense (\$885,820) exceeds capital outlays (\$25,310).	(860,510)
Bond payments are recognized as expenditures of current financial resources in the governmental fund financial statements, but are reductions of liabilities and interest expense in the statement of net position and statement of activities, respectively.	817,722
Insurance claims expense related to accrued insurance claims liability is recognized in the statement of activities but not in the governmental fund financial statements because it will not be paid with existing financial resources.	(302,500)
Accumulated sick leave is recognized by the amount earned in the statement of activities, but the governmental fund financial statements only recognize the obligations anticipated to be retired from existing financial resources.	<u>(60,353)</u>
Change in net position – governmental activities	<u>\$ (239,334)</u>

See accompanying notes.

GREEN COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION – PROPRIETARY FUND

June 30, 2013

School
Food
Service
Fund

ASSETS

Current assets

Cash \$ 208,160
Receivables 39,325

Total current assets 247,485

Noncurrent assets

Capital assets 805,802
Less accumulated depreciation 518,876

Total noncurrent assets 286,926

Total assets 534,411

LIABILITIES

Current liabilities

Accounts payable -

Total current liabilities -

NET POSITION

Invested in capital assets 286,926
Unrestricted 247,485

Total net position \$ 534,411

See accompanying notes.

GREEN COUNTY SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION –
PROPRIETARY FUND**

Year ended June 30, 2013

	<u>School Food Service Fund</u>
Operating revenues	
Lunchroom sales	\$ 265,159
Operating expenses	
Salaries, wages, and benefits	734,999
Contract services	29,424
Materials and supplies	489,775
Depreciation	50,049
Other	<u>7,497</u>
Total operating expenses	<u>1,311,744</u>
Operating loss	(1,046,585)
Nonoperating revenues	
Federal grants	655,509
Donated commodities	62,447
State on-behalf payments	244,639
State grants	10,055
Interest income	<u>4,536</u>
Total nonoperating revenues	<u>977,186</u>
Loss before operating transfers	(69,399)
Operating transfer out	<u>(44,071)</u>
Change in net position	(113,470)
Net position as of July 1, 2012	<u>647,881</u>
Net position as of June 30, 2013	<u>\$ 534,411</u>

See accompanying notes.

GREEN COUNTY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS – PROPRIETARY FUND Year ended June 30, 2013

	School Food Service <u>Fund</u>
Cash flows from operating activities	
Cash received from:	
Lunchroom sales	\$ 265,159
Cash paid to/for:	
Employees and contract services	(764,423)
Materials and supplies	(428,126)
Other	<u>(7,497)</u>
Net cash used in operating activities	(934,887)
Cash flows from noncapital financing activities	
Government grants	<u>871,208</u>
Net cash provided by noncapital financing activities	871,208
Cash flows from capital and related financing activities	
Operating transfers to governmental funds	<u>(44,071)</u>
Net cash used in capital and related financing activities	(44,071)
Cash flows from investing activities	
Receipt of interest income	<u>4,536</u>
Net cash provided by investing activities	<u>4,536</u>
Net decrease in cash	(103,214)
Cash as of July 1, 2012	<u>311,374</u>
Cash as of June 30, 2013	<u>\$ 208,160</u>
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (1,046,585)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	50,049
Donated commodities	62,447
Changes in assets and liabilities:	
Decrease in accounts payable	<u>(798)</u>
Net cash used in operating activities	<u>\$ (934,887)</u>
Schedule of non-cash transactions	
Donated commodities	\$ 62,447

See accompanying notes.

GREEN COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION – FIDUCIARY FUNDS

June 30, 2013

	<u>Student Activity Funds</u>	<u>Trust Agency Fund</u>	<u>Scholarship Fund</u>
ASSETS			
Cash and cash equivalents	\$ 158,964	\$ 58,282	\$ 21,221
Total assets	158,964	58,282	21,221
LIABILITIES			
Accounts payable	4,274	-	175
Due to student groups/employees	<u>154,690</u>	<u>58,282</u>	<u>-</u>
Total liabilities	<u>158,964</u>	<u>58,282</u>	<u>175</u>
NET POSITION			
Held in trust for scholarships	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,046</u>

See accompanying notes.

GREEN COUNTY SCHOOL DISTRICT

STATEMENT OF CHANGES IN NET POSITION – FIDUCIARY FUND
Year ended June 30, 2013

	Scholarship Fund
Revenues	
Interest income	\$ <u>337</u>
Total revenues	337
Expenditures	
Scholarships	<u>337</u>
Total expenditures	<u>337</u>
Change in net position	-
Net position as of July 1, 2012	<u>21,046</u>
Net position as of June 30, 2013	<u><u>\$ 21,046</u></u>

See accompanying notes.

GREEN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

Year ended June 30, 2013

1. Basis of presentation and summary of significant accounting policies

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

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

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

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

Green County School District Finance Corporation – The Green County, Kentucky, Board of Education established the Green County School District Finance Corporation (Corporation) (a nonprofit, nonstock, public, and charitable corporation organized under the School Bond Act, KRS 273, and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Green County Board of Education also comprise the Corporation's Board of Directors.

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

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. The District's activities are generally financed through state funding, property and utility taxes, and federal, state, and local grants. Revenues are recorded when earned and expenses are recorded at the time the liability is incurred, regardless of when the related cash flows take place. Revenues from grants are recognized in the fiscal year in which eligibility requirements are met.

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

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. State and other governmental revenues applicable to the current fiscal year and collected within 60 days of year end are recognized as revenue.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures when they come due for payment. General capital asset acquisitions are reported as expenditures in governmental funds, and proceeds of general long-term debt are reported as other financing sources.

Under the terms of the District's grant agreements, certain programs are funded by specific cost-reimbursement grants and general revenues. Generally, the District applies cost-reimbursement funds first to finance such programs with remaining costs paid for with general revenues.

Proprietary funds utilize the economic resources measurement focus and the accrual basis of accounting. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues generally result from providing services in connection with the fund's principal operations. The fund's principal operating revenues are food service charges. Operating expenses include food production costs, supplies and materials, administrative costs, and depreciation on capital assets.

Fiduciary funds utilize the economic resources measurement focus and the accrual basis of accounting.

Accounting principles generally accepted in the United States of America require that the General Fund be reported as a major fund. All other governmental and proprietary funds whose assets, liabilities, revenues, or expenditures comprise at least 10% of the total for the relevant fund category and at least 5% of the corresponding total for all governmental and proprietary funds combined must also be reported as major funds. Additionally, the District has determined certain other funds should be reported as major funds.

The District has the following funds:

a. Governmental fund types

The General Fund is the District's general operating fund and accounts for and reports all District revenues and expenditures not accounted for or reported in other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

The Special Revenue Funds are used to account for and report the proceeds of specific revenue sources restricted to expenditures for specified purposes other than debt or capital projects. This is a major fund of the District.

Capital Project Funds are used to account for and report financial resources restricted for capital outlays, including the acquisition or construction of capital facilities or other capital assets, and to provide financial resources for debt service requirements. Capital Projects Funds exclude those types of capital-related outflows financed by proprietary funds or for assets that are held in trust.

1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the State as capital outlay funds and is generally restricted for use in financing projects identified in the District's facility plan (including payment of bonded lease obligations). This is a major fund of the District.
2. The Facility Support Program (FSPK) Fund accounts for and reports funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan. This is a major fund of the District.

3. The School Construction Fund accounts for and reports proceeds from sales of bonds and other revenue to be used for authorized construction. This is a major fund of the District.
4. The Debt Service Fund accounts for and reports expenditures for debt payments. This is a major fund of the District.

b. Proprietary fund type

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

c. Fiduciary fund types

The Student Activity Funds account for and report activities of student groups and other types of activities requiring clearing accounts. These funds comply with *Accounting Procedures for Kentucky School Activity Funds*.

The Trust Agency Fund holds retirement monies on behalf of substitute teachers previously covered under the Omnibus Budget Reconciliation Act (OBRA).

The Scholarship Fund accounts for and reports for the Mary Beam Scholarship under which interest income is used to benefit individuals by providing scholarships.

Budgetary process – The District’s budgetary process accounts for transactions on the modified accrual basis of accounting which is consistent with accounting principles generally accepted in the United States of America.

In accordance with state law, the District prepares a general school budget based upon the amount of revenue to be raised by local taxation, including the rate of levy, and from estimates of other local, state, and federal revenues. The budget contains estimated expenditures for current expenses, debt service, capital outlay, and other necessary expenses. The budget must be approved by the Board.

The District does not budget for on-behalf payments, which are reported with the General Fund and the School Food Service Fund in the fund financial statements and the budgetary comparison supplementary information.

The District must formally and publicly examine estimated revenues and expenses for the subsequent fiscal year by January 31 of each year.

Additionally, the District must prepare an annual allocation to schools by March 1 of each year for the following fiscal year. This allocation must include the amount for certified and classified staff based on the District's staffing policy and the amount for the instructional supplies, materials, travel, and equipment.

Additionally, the District must adopt a tentative working budget for the subsequent fiscal year by May 30 of each year. This budget must contain a 2% reserve.

Finally, the District must adopt a final working budget and submit it to the Kentucky Department of Education by September 30 of the current fiscal year.

The Board has the ability to amend the working budget. The working budget was amended during the year.

Cash and cash equivalents – The District considers demand deposits and certificates of deposit, with an original maturity of 90 days or less, to be cash equivalents.

Inventories – Supplies and materials are charged to expense when purchased (purchases method).

Prepaid expenses – Payments made that will benefit periods beyond the end of the fiscal year are recorded as prepaid items on the accompanying statement of net position using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed. No prepaid expenses were recorded as of June 30, 2013.

Bond issue costs – Prior to July 1, 2012, costs associated with the issuance of bond obligations were capitalized and amortized over the related bond term on the statements of net position and activities. Effective July 1, 2012, the District adopted the Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Accordingly, the District expenses bond issue costs as incurred.

Deferred loss on bond refunding – Deferred loss on bond refunding represents losses equal to the principal amount borrowed to refund the principal amount outstanding on previous bond issues. These amounts are recognized as deferred outflows of resources on the accompanying statement of net position. The amounts are amortized over the life of the new bond or the life of the refunded bond (whichever is shorter), and included in interest expense on the accompanying statement of activities.

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

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

All capital assets are capitalized at cost (or estimated historical cost based on independent appraisals) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$1,000 with the exception of computers and related equipment for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	20-50 years
Technology equipment	5 years
Vehicles	5-10 years
Food service equipment	12 years
Other	10-15 years

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements if they will be liquidated with current resources. In general, payments made within 60 days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Unearned revenue – Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied.

Accumulated sick leave – Sick leave benefits are calculated using the vesting method, and accrued based on the District’s estimates using historical trend information. The current portion of the liability is estimated based on the anticipated payouts in the succeeding fiscal year.

Fund balances – The District classifies its governmental fund balances as follows:

Nonspendable – This category includes funds that are not available to be spent because they are not in spendable format, or because they are legally required to remain intact. The District does not have any nonspendable funds as of June 30, 2013.

Restricted – This category includes resources that are restricted by state law to be used for certain purposes. The SEEK Capital Outlay Fund, and FSPK Fund are restricted to be used for future debt service or future construction projects. The School Construction Fund is restricted for future construction projects. The Debt Service Fund is restricted for debt service.

Committed – This category includes funds that have been designated for future use by the Board. Only the Board may commit funds and modify or rescind the commitment.

Assigned – This category represents funds that have been designated for existing purchase obligations. Assignments can be made by authorized members of management.

Unassigned – This category represents the remainder of the governmental fund balances that do not belong in any other fund balance classifications.

When the District incurs an expenditure for which committed, assigned, or unassigned funds are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

When the District incurs an expenditure for which both restricted and unrestricted (assigned and unassigned, respectively) funds are available within a given fund, the District generally spends restricted funds first and unrestricted funds last.

Net position – Net position represents the difference between assets and deferred outflows of resources, and liabilities. Amounts invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on the asset’s use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. When the District incurs an expenditure for which both restricted and unrestricted funds are available, the District considers restricted funds to have been spent first.

Interfund activity – Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds, and after nonoperating revenues/expenses in proprietary funds. These transactions are eliminated in the governmental and business-type activities columns of the statement of activities.

Encumbrance accounting – Encumbrances are not liabilities, and therefore are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next fiscal year.

Estimates – The preparation of basic financial statements requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Subsequent events – The District's management has evaluated subsequent events through November 6, 2013, the date which the financial statements were available for issue. No subsequent events were of such a nature as to require disclosure.

New accounting pronouncements – In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and in March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 63 amends previous pronouncements and incorporates deferred outflows of resources and deferred inflows of resources, as defined in Concepts Statement No. 4, *Elements of Financial Statements*, into the required components of the statement of financial position's (formerly statement of net assets) residual measure and renames that measure net position, rather than net assets. GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify certain items previously classified as assets and liabilities as deferred outflows and deferred inflows of resources. Effective July 1, 2012, the District adopted GASB Statements No. 63 and 65. The adoption of GASB Statement No. 65 resulted in a \$285,704 reduction of the District's net position as of July 1, 2012 and is presented as a change in accounting principal on the accompanying statement of activities.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. GASB Statement No. 68 replaces previous requirements related to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The objective of GASB Statement No. 68 is to improve accounting and financial reporting for pensions provided to the employees of state and local governments, and information about financial support for pensions that is provided by other entities. This Statement identifies the methods and assumptions that should be used to project benefit payments, discount

projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. GASB Statement No. 68 also provides related note disclosure and supplementary information requirements. GASB Statement No. 68 is effective for years beginning after December 15, 2014. The District has not determined the potential impact, if any, this pronouncement will have on its future financial statements.

2. Deposits with financial institutions

As of June 30, 2013, the carrying amount of the District's deposits with financial institutions was \$1,866,996, and its bank balances totaled \$3,036,205. Of the total bank balances, \$272,682 was covered by federal depository insurance, with the remainder covered by a collateral agreement with securities.

Cash and cash equivalents are commingled in various bank accounts and short-term certificates of deposits. Due to the nature of the accounts and limitations imposed by bond issue requirements, construction projects, and financial assistance programs, each cash and cash equivalents amount within the following funds is considered to be restricted:

Facility Support Program (FSPK) Fund
Student Activity Funds
Trust Agency Fund
Scholarship Fund

District funds are considered to be public funds and therefore their investment is limited by statute to certain obligations of the United States or similar government agencies, cash instruments, and certain pooled investment funds.

3. Taxes

The District's ad valorem property tax is levied each September 30 on the assessed value listed as of the prior January 1 for all real and personal property located in the District. Taxes are due on January 2 and become delinquent after January 31 following the September 30 levy date.

The property tax rates assessed for the year ended June 30, 2013 were \$.457 per \$100 valuation for real property, \$.457 per \$100 valuation for business personal property, and \$.539 per \$100 valuation for motor vehicles.

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

4. Capital assets

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

<u>Governmental Activities</u>	Balance July 1, 2012	Additions	Dispositions	Adjustments	Balance June 30, 2013
Land	\$ 373,134	\$ -	\$ -	\$ -	\$ 373,134
Land improvements	557,593	-	-	-	557,593
Buildings and improvements	25,151,711	-	-	-	25,151,711
Technology equipment	2,381,936	25,310	(4,001)	-	2,403,245
Vehicles	2,657,840	-	-	-	2,657,840
General equipment	562,194	-	-	-	562,194
Construction in progress	<u>3,402</u>	<u>-</u>	<u>-</u>	<u>(3,402)</u>	<u>-</u>
Total cost	31,687,810	25,310	(4,001)	(3,402)	31,705,717
Less accumulated depreciation:					
Land improvements	483,048	11,791	-	-	494,839
Buildings and improvements	5,955,722	522,118	-	-	6,477,840
Technology equipment	1,977,813	159,959	(4,001)	-	2,133,771
Vehicles	1,694,238	167,005	-	-	1,861,243
General equipment	<u>442,254</u>	<u>24,947</u>	<u>-</u>	<u>(3,402)</u>	<u>463,799</u>
Total accumulated depreciation	<u>10,553,075</u>	<u>885,820</u>	<u>(4,001)</u>	<u>(3,402)</u>	<u>11,431,492</u>
Governmental activities net capital assets	<u>\$ 21,134,735</u>	<u>\$ (860,510)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,274,225</u>
<u>Business-Type Activities</u>					
Food service equipment	\$ 805,802	\$ -	\$ -	\$ -	\$ 805,802
Less accumulated depreciation:					
Food service equipment	<u>468,827</u>	<u>50,049</u>	<u>-</u>	<u>-</u>	<u>518,876</u>
Business-type activities net capital assets	<u>\$ 336,975</u>	<u>\$ (50,049)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 286,926</u>

Governmental activities depreciation expense is allocated to specific functions or programs on the statement of activities as follows:

Instruction	\$ 287,931
Student support services	940
Instructional staff support services	2,355
District administration	47,859
School administration	13,974
Business support services	152
Plant operations and maintenance	366,732
Student transportation	<u>165,877</u>
Total depreciation expense	<u>\$ 885,820</u>

5. Bonded debt and lease obligations

The amounts shown in the accompanying basic financial statements as bond obligations represent the District's future obligations to make lease payments relating to the bonds issued by the Green County School District Finance Corporation.

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

<u>Issue</u>	<u>Proceeds</u>	<u>Interest Rates</u>
2003	\$ 610,000	2.30 – 3.00%
2004	845,000	3.75%
2007	10,180,000	4.25 – 4.50%
2010	1,560,000	3.20 – 4.25%
2011	4,405,000	2.00 – 3.00%

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

For the 2003, 2004, 2007, 2010, and 2011 bond issues, the District entered into "participation agreements" with the School Facility Construction Commission (Commission). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The participation agreements generally provide for the Commission to assist the District in meeting bond obligations and are renewable, at the Commission's option, bi-annually. Should the Kentucky General Assembly choose to not fund the Commission in the future, the District would be responsible for meeting the full requirements of the bond issues. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

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

<u>Fiscal Year Ending</u>	<u>Green County School District</u>		<u>Kentucky School Facility Construction Commission</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2014	\$ 358,542	\$ 277,241	\$ 496,458	\$ 301,536	\$ 1,433,777
2015	368,070	269,878	491,930	283,145	1,413,023
2016	373,616	262,406	446,384	265,546	1,347,952
2017	384,169	252,885	465,831	247,778	1,350,663
2018	393,694	242,200	486,306	228,984	1,351,184
2019	412,352	231,173	502,648	209,462	1,355,635
2020	410,058	219,814	524,942	189,127	1,343,941
2021	426,547	207,322	548,453	167,577	1,349,899
2022	431,184	185,044	458,816	144,871	1,219,915

Fiscal Year Ending	Green County School District		Kentucky School Facility Construction Commission		Total
	Principal	Interest	Principal	Interest	
2023	\$ 450,583	\$ 165,450	\$ 479,417	\$ 124,228	\$ 1,219,678
2024	463,242	145,120	506,758	102,620	1,217,740
2025	486,043	123,990	468,957	79,825	1,158,815
2026	511,268	101,750	488,732	58,325	1,160,075
2027	532,420	78,424	512,580	35,834	1,159,258
2028	557,526	54,063	517,474	12,697	1,141,760
2029	480,897	31,504	14,103	778	527,282
2030	503,653	10,703	11,347	241	525,944
	<u>\$ 7,543,864</u>	<u>\$ 2,858,967</u>	<u>\$ 7,421,136</u>	<u>\$ 2,452,574</u>	<u>\$ 20,276,541</u>

A summary of the changes in the outstanding bonds during the fiscal year ended June 30, 2013 is as follows:

Issue	Balance July 1, 2012	Additions	Payments	Balance June 30, 2013
School Building Revenue Bonds:				
2003	\$ 210,000	\$ -	\$ 75,000	\$ 135,000
2004	575,000	-	40,000	535,000
2007	9,200,000	-	275,000	8,925,000
2010	1,540,000	-	10,000	1,530,000
2011 R	<u>4,265,000</u>	<u>-</u>	<u>425,000</u>	<u>3,840,000</u>
Totals	<u>\$ 15,790,000</u>	<u>\$ -</u>	<u>\$ 825,000</u>	<u>\$ 14,965,000</u>

6. Accumulated unpaid sick leave benefits

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

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, the current portion of unpaid accumulated sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the accumulated sick leave payable account in the General Fund. The noncurrent portion of the liability is not reported.

A summary of the changes in the accumulated unpaid sick leave benefits during the fiscal year ended June 30, 2013 is as follows:

Balance as of July 1, 2012	\$ 666,714
Additions	84,919
Less payments	<u>16,213</u>
Balance as of June 30, 2013	735,420
Less current portion	<u>91,710</u>
Noncurrent portion	<u>\$ 643,710</u>

7. Accrued insurance claims liability

The District has previously purchased workers compensation and general liability insurance through the Kentucky School Boards Insurance Trust (KSBIT). KSBIT filed for bankruptcy. Accordingly, the participant districts are subject to KSBIT's unpaid outstanding claims. The KSBIT Board provided the District with an estimate of the District's potential share of the loss (approximately \$387,000 highest estimate), and an estimate of the District's most likely loss (approximately \$302,500). The District has accrued the most likely loss on the accompanying statement of net position but could be exposed to additional liability if the KSBIT Board estimate is understated.

8. Commitments and contingencies

The District receives funding from federal and state government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based on the grantor's review the funds are considered not to have been used for the intended purpose, the grantor may request a refund of funds advanced, or refuse to reimburse the District for its disbursements. The collectability of any related receivables as of June 30, 2013 may be impaired. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

9. Retirement plans

The District 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 KTRS occupy a position requiring either a four year college degree or certification by the Kentucky Department of Education (KDE). Job classifications that permit experience to substitute for either of these requirements do not participate in KTRS.

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, Kentucky 40601, or from the KTRS website at <http://www.ktrs.ky.gov/>.

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 who participated in a state retirement system before July 1, 2008, and 14.105% of salaries for members who started their account after July 1, 2008. The federal program for any salaries paid by that program pays the matching contributions.

In addition to the pension benefits described above, KRS 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.

In order to fund the post-employment healthcare benefit, active member contributions are matched by the State at 0.75% of members' gross salaries. Member contributions are 1.75% of salary. Also, the premiums collected from retirees, as described in the plan description, and investment interest help meet the medical expenses of the plan. Additionally, under the Shared Responsibility Plan, the District pays 1% of members' salaries for the 2012-2013 fiscal year.

The District's total payroll was \$9,848,357, \$9,989,530, and \$10,150,839 for the years ended June 30, 2013, 2012, and 2011, respectively. The payroll for employees covered under KTRS was \$7,597,687, \$7,808,964, and \$7,868,516 for the years ended June 30, 2013, 2012, and 2011, respectively. The Commonwealth contributed \$823,793, \$921,154, and \$858,949 to KTRS for the years ended June 30, 2013, 2012, and 2011, respectively, for the benefit of the participating employees. The District's contributions to KTRS were \$189,851, \$146,306, and \$111,344 for the years ended June 30, 2013, 2012, and 2011, respectively, which represents those employees covered by federal programs.

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System (CERS), a cost-sharing, multiple-employer, public employers retirement system administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. CERS provides retirement, death, disability, and health benefits to members and their beneficiaries. Under KRS provisions, the Board of Trustees

of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report can be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601.

Plan members are required to contribute 5% of their annual covered compensation if hired before September 1, 2008, or 6% of their annual covered compensation if hired after September 1, 2008, and the District is required to contribute at an actuarially determined rate. The current rate is 19.55% of the employee's total covered compensation. The contribution requirements of plan members and the District are established and may be amended by the Kentucky Retirement System's Board of Trustees. The District's contributions to CERS for the years ended June 30, 2013, 2012, and 2011 were \$431,141, \$416,996, and \$366,819, respectively, and are equal to the required contribution for the related year.

The District also offers employees the option to participate in voluntary tax-deferred compensation retirement plans as provided by the Green County Schools 403(b) Plan and by the Kentucky Public Employees' Deferred Compensation Program which administers 401(k) plans sponsored by the Commonwealth of Kentucky. All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum allowable under Sections 403(b), 401(k), and 457 of the Internal Revenue Code. Members contributed approximately \$97,222 during year ended June 30, 2013. The District does not contribute to these plans.

10. On-behalf payments for fringe benefits

The District receives on-behalf payments for fringe benefits from the Commonwealth of Kentucky. The following amounts are included as revenues and expenses/expenditures on the statement of activities, and the statement of revenues, expenditures, and changes in fund balances:

Retirement contributions to the Teachers' Retirement System of Kentucky	\$ 823,793
Health and life insurance	<u>1,968,413</u>
Total	<u>\$ 2,792,206</u>

11. Insurance, risk management, and related activities

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc.; and risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, natural disasters, workers compensation, unemployment, etc. Each of these risk areas is covered through the purchase of commercial insurance.

The District has purchased certain policies which are retrospectively rated which includes workers' compensation insurance. Premiums are accrued based on the ultimate cost of the experience to date of a group of entities.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. However, the District has potential exposure for claims in excess of commercial insurance coverage as explained in Note 7.

12. Deficit operating/fund balances

There are no District funds that currently have a deficit fund balance. However, the Facility Support Program (FSPK) Fund, and Food Service Fund had operations that resulted in a current year operating loss resulting in a corresponding reduction of fund balance.

13. COBRA

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

14. Transfer of funds

The following transfers were made during the year ended June 30, 2013:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	General	Special Revenue	Matching	\$ 24,742
Operating	SEEK Capital Outlay	General	Administrative	154,647
Operating	FSPK	General	Administrative	505,853
Financing	FSPK	Debt Service	Debt Service	630,909
Operating	School Food Service	General	Administrative	44,071

15. Interfund receivables and payables

Interfund balances as of June 30, 2013 consist of the following:

<u>Due to Fund</u>	<u>Due from Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Special Revenue	Cash Flow	\$ 119,664

SUPPLEMENTARY INFORMATION

GREEN COUNTY SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND
Year ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Favorable <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
From local sources:				
Taxes:				
Property	\$ 1,261,153	\$ 1,259,200	\$ 1,368,825	\$ 109,625
Motor vehicle	270,000	276,000	266,113	(9,887)
Utilities	530,000	530,000	547,775	17,775
Tuition and fees	-	12,000	10,869	(1,131)
Earnings on investments	52,900	32,400	33,721	1,321
Other local	90,000	169,474	136,428	(33,046)
Intergovernmental – State	7,559,791	7,492,592	10,162,700	2,670,108
Intergovernmental – Federal	<u>15,000</u>	<u>5,000</u>	<u>4,082</u>	<u>(918)</u>
Total revenues	9,778,844	9,776,666	12,530,513	2,753,847
Expenditures				
Current:				
Instruction	6,392,029	6,311,277	7,845,910	(1,534,633)
Student support services	354,329	328,443	388,961	(60,518)
Instructional staff support services	427,520	388,357	525,360	(137,003)
District administration	1,233,432	1,203,898	571,604	632,294
School administration	675,204	659,779	817,747	(157,968)
Business support services	241,001	278,443	324,800	(46,357)
Plant operations and maintenance	1,266,682	1,194,116	1,295,479	(101,363)
Student transportation	879,326	981,982	1,264,506	(282,524)
Community services	-	2,000	1,108	892
Debt service	<u>20,000</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Total expenditures	<u>11,489,523</u>	<u>11,358,295</u>	<u>13,035,475</u>	<u>(1,677,180)</u>
(Deficit) excess of revenues (under) over expenditures	(1,710,679)	(1,581,629)	(504,962)	1,076,667
Other financing sources (uses)				
Operating transfers in	660,500	660,500	704,571	44,071
Operating transfers out	(20,250)	(31,000)	(24,742)	6,258
Other	<u>500</u>	<u>500</u>	<u>2,812</u>	<u>2,312</u>
Total other financing sources (uses)	<u>640,750</u>	<u>630,000</u>	<u>682,641</u>	<u>52,641</u>
Net change in fund balance	(1,069,929)	(951,629)	177,679	1,129,308
Fund balance as of July 1, 2012	<u>951,629</u>	<u>951,629</u>	<u>951,629</u>	<u>-</u>
Fund balance as of June 30, 2013	<u>\$ (118,300)</u>	<u>\$ -</u>	<u>\$ 1,129,308</u>	<u>\$ 1,129,308</u>

GREEN COUNTY SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – SPECIAL REVENUE FUNDS**

Year ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Favorable <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
From local sources:				
Other local	\$ 97,876	\$ 40,008	\$ 18,861	\$ (21,147)
Intergovernmental – State	670,166	993,428	536,061	(457,367)
Intergovernmental – Federal	<u>2,480,492</u>	<u>5,202,383</u>	<u>1,510,108</u>	<u>(3,692,275)</u>
Total revenues	3,248,534	6,235,819	2,065,030	(4,170,789)
Expenditures				
Current:				
Instruction	2,815,063	5,436,360	1,779,605	3,656,755
Student support services	148,485	365,444	32,725	332,719
Instructional staff support services	68,752	164,060	66,455	97,605
School administration	14,282	27,040	13,520	13,520
Student transportation	59,568	64,065	32,943	31,122
Community services	<u>162,634</u>	<u>314,102</u>	<u>164,524</u>	<u>149,578</u>
Total expenditures	<u>3,268,784</u>	<u>6,371,071</u>	<u>2,089,772</u>	<u>4,281,299</u>
(Deficit) excess of revenues (under) over expenditures	(20,250)	(135,252)	(24,742)	110,510
Other financing sources				
Operating transfers in	<u>20,250</u>	<u>66,415</u>	<u>24,742</u>	<u>(41,673)</u>
Total other financing sources	<u>20,250</u>	<u>66,415</u>	<u>24,742</u>	<u>(41,673)</u>
Net change in fund balance	-	(68,837)	-	68,837
Fund balance as of July 1, 2012	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance as of June 30, 2013	<u>\$ -</u>	<u>\$ (68,837)</u>	<u>\$ -</u>	<u>\$ 68,837</u>

GREEN COUNTY SCHOOL DISTRICT

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS –
ELEMENTARY AND MIDDLE SCHOOL ACTIVITY FUNDS
Year ended June 30, 2013**

<u>School</u>	<u>Cash July 1, 2012</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash June 30, 2013</u>	<u>Accounts Payable June 30, 2013</u>	<u>Due to Student Groups June 30, 2013</u>
Green County Primary School	\$ 27,836	\$ 45,223	\$ 50,377	\$ 22,682	\$ -	\$ 22,682
Green County Intermediate School	25,984	33,465	33,047	26,402	1,687	24,715
Green County Middle School	<u>22,493</u>	<u>88,957</u>	<u>85,590</u>	<u>25,860</u>	<u>2,587</u>	<u>23,273</u>
Totals	<u>\$ 76,313</u>	<u>\$ 167,645</u>	<u>\$ 169,014</u>	<u>\$ 74,944</u>	<u>\$ 4,274</u>	<u>\$ 70,670</u>

GREEN COUNTY SCHOOL DISTRICT

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS –
GREEN COUNTY HIGH SCHOOL ACTIVITY FUNDS
Year ended June 30, 2013**

<u>Activity Fund</u>	<u>Cash</u> <u>July 1,</u> <u>2012</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash</u> <u>June 30,</u> <u>2013</u>	<u>Accounts</u> <u>Receivable</u> <u>June 30,</u> <u>2013</u>	<u>Accounts</u> <u>Payable</u> <u>June 30,</u> <u>2013</u>	<u>Due to</u> <u>Student</u> <u>Groups</u> <u>June 30,</u> <u>2013</u>
General	\$ 37,002	\$ 9,171	\$ 14,676	\$ 31,497	\$ -	\$ -	\$ 31,497
Alternative school	60	-	60	-	-	-	-
Annual and newspaper	16,520	8,490	16,857	8,153	-	-	8,153
Art Club	1,559	1,732	1,070	2,221	-	-	2,221
F.C.A.	1,248	95	105	1,238	-	-	1,238
Athletic	4,045	87,577	88,869	2,753	-	-	2,753
Band	157	14,962	14,870	249	-	-	249
Band camp fees	3,242	6,900	7,932	2,210	-	-	2,210
Beta	905	2,067	1,820	1,152	-	-	1,152
Co-ed Y	505	-	-	505	-	-	505
Concessions	10,063	18,022	17,179	10,906	-	-	10,906
Cultural Diversity	94	-	-	94	-	-	94
Dance team	274	-	-	274	-	-	274
Faculty and staff	868	4,780	4,594	1,054	-	-	1,054
Family and Consumer Science	-	1,226	1,161	65	-	-	65
FBLA	100	4,958	4,849	209	-	-	209
FCCLA	509	4,070	4,497	82	-	-	82
Just Because – FCCLA	-	1,101	997	104	-	-	104
FEA	22	-	22	-	-	-	-
FFA greenhouse	12,875	23,448	24,042	12,281	-	-	12,281
Football fundraiser	418	1,410	1,523	305	-	-	305

(continued)

GREEN COUNTY SCHOOL DISTRICT

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS –
GREEN COUNTY HIGH SCHOOL ACTIVITY FUNDS – CONTINUED
Year ended June 30, 2013**

<u>Activity Fund</u>	<u>Cash July 1, 2012</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash June 30, 2013</u>	<u>Accounts Receivable June 30, 2013</u>	<u>Accounts Payable June 30, 2013</u>	<u>Due to Student Groups June 30, 2013</u>
Freshman class	\$ -	\$ 265	\$ 265	\$ -	\$ -	\$ -	\$ -
Gifted and Talented	414	-	-	414	-	-	414
GRECC Grant	-	290	-	290	-	-	290
History	102	66	1	167	-	-	167
Junior class	39	14,273	13,137	1,175	-	-	1,175
Multimedia Publishing	70	-	-	70	-	-	70
Newspaper	399	-	-	399	-	-	399
Pep Club	283	156	-	439	-	-	439
Science	2,194	150	325	2,019	-	-	2,019
Sci-Fi	731	320	-	1,051	-	-	1,051
Senior class	523	2,214	1,353	1,384	-	-	1,384
Sophomore class	208	3,126	3,089	245	-	-	245
Spanish	11	-	11	-	-	-	-
Student Council	48	180	155	73	-	-	73
S.O.S. Club	282	-	-	282	-	-	282
STLP	110	466	37	539	-	-	539
Summer camp	121	-	-	121	-	-	121
Totals	96,001	211,515	223,496	84,020	-	-	84,020
Interfund transfers	-	10,517	10,517	-	-	-	-
Totals	<u>\$ 96,001</u>	<u>\$ 200,998</u>	<u>\$ 212,979</u>	<u>\$ 84,020</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 84,020</u>

GREEN COUNTY SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2013**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
Cash expenditures			
<u>U.S. Department of Education</u>			
Kentucky Department of Education:			
Title I	84.010	3100002-12 3100202-12	\$ 611,165 <u>125,019</u>
Subtotal			<u>736,184</u>
Special Education	84.027	3810002-12	329,626
Special Education Preschool	84.173	3800002-12	5,573
Vocational Education Basic	84.048	4621332-12	10,386
Rural Education	84.358	3140002-12	32,725
Safe and Drug Free Schools and Communities	84.184	5003 5002	94,191 <u>37,042</u>
Subtotal			<u>131,233</u>
Adult Education	84.002	3733	108,373
GEAR UP	84.334	3793	1,716
Improving Teacher Quality	84.367	3230002-12	99,965
Race to the Top	84.416	3960002-12	3,062
Education Jobs Fund *	84.410	EJOB00-10	<u>3,060</u>
Total U.S. Department of Education			1,461,903

(continued)

GREEN COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CONTINUED
Year ended June 30, 2013

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Labor</u>			
WIA Youth Activities	17.259	5883	\$ 48,205
Total U.S. Department of Labor			48,205
<u>U.S. Department of Agriculture</u>			
Kentucky Department of Education:			
National School Lunch Program	10.555	7750002-12	112,010
		7750002-13	<u>374,566</u>
Subtotal			486,576
National School Breakfast Program			
	10.553	7760005-12	41,036
		7760005-13	<u>127,897</u>
Subtotal			<u>168,933</u>
Total U.S. Department of Agriculture			<u>655,509</u>
Total cash expenditures			2,165,617
Non-cash expenditures			
<u>U.S. Department of Agriculture</u>			
Kentucky Department of Agriculture:			
Food Donation	10.555	Not provided	<u>62,447</u>
Total federal expenditures			<u>\$ 2,228,064</u>

* American Recovery and Reinvestment Act (ARRA) funds.

See accompanying notes.

GREEN COUNTY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year ended June 30, 2013

1. Basis of presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Green County School District and is presented on the modified 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*.

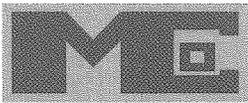
2. Food donation

Nonmonetary assistance for food donation is reported in the schedule at the fair value of the commodities disbursed. These donations are received from the U.S. Department of Agriculture via the Kentucky Department of Agriculture (KDA). The KDA has not provided a pass-through grant number.

3. Program clusters

The following programs are considered clusters and are considered in the aggregate for consideration of major program determination:

<u>Cluster Name</u>	<u>CFDA</u>	<u>Total Grant</u>
Special Education	84.027/84.173	\$ 335,199
Child Nutrition	10.555/10.553	717,956



**MATHER
& COMPANY**

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

Kentucky State Committee for
School District Audits
Members of the Board of Education
Green County School District
Greensburg, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Independent Auditor's Contract – General Audit Requirements*, *Appendix II to the Independent Auditor's Contract – State Audit Requirements*, *Appendix III to the Independent Auditor's Contract – Audit Extension Request*, and *Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report*, the financial statements of the governmental activities, the business-type activities, and each major fund of the Green County School District (District), 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, and have issued our report thereon dated November 6, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in *Appendix II to the Independent Auditor's Contract – State Audit Requirements*.

We noted certain other matters that we reported to the District's management in a separate letter dated November 6, 2013.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mather & Co. CPAs, LLC

Mather & Co. CPAs, LLC
Louisville, Kentucky
November 6, 2013

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

Kentucky State Committee for
School District Audits
Members of the Board of Education
Green County School District
Greensburg, Kentucky

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Independent Auditor's Contract – General Audit Requirements*, *Appendix II to the Independent Auditor's Contract – State Audit Requirements*, *Appendix III to the Independent Auditor's Contract – Audit Extension Request*, and *Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report*. 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 the 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 the District's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

Our consideration of 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 over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Mather & Co. CPAs, LLC

Mather & Co. CPAs, LLC
Louisville, Kentucky
November 6, 2013

GREEN COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2013

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor's report issued		Unqualified	
Internal control over financial reporting:			
Material weakness identified	_____	Yes	<input checked="" type="checkbox"/> No
Significant deficiencies identified that are not considered to be material weaknesses	_____	Yes	<input checked="" type="checkbox"/> None reported
Noncompliance material to financial statement notes	_____	Yes	<input checked="" type="checkbox"/> No

Federal Awards

Internal control over major programs:			
Material weaknesses identified	_____	Yes	<input checked="" type="checkbox"/> No
Significant deficiencies identified that are not considered to be material weaknesses	_____	Yes	<input checked="" type="checkbox"/> None reported
Type of auditor’s report issued on compliance for major programs		Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133	_____	Yes	<input checked="" type="checkbox"/> No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I
84.027/84.173	Special Education Cluster

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

Auditee qualified as low risk Yes _____ No

(continued)

GREEN COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED
Year ended June 30, 2013

Section II – Financial Statement Findings

No matters to report.

Section III – Federal Award Findings

No matters to report.

GREEN COUNTY SCHOOL DISTRICT

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year ended June 30, 2013

There were no prior year audit findings.



Mather & Co. CPAs, LLC
Suite 200
9100 Shelbyville Rd
Louisville, KY 40222

Members of the Board of Education
Green County School District
Greensburg, Kentucky

In planning and performing our audit of the basic financial statements of the Green County School District (District) as of and for the year ended June 30, 2013, 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 *Appendix I to the Independent Auditor's Contract – General Audit Requirements*, *Appendix II to the Independent Auditor's Contract – State Audit Requirements*, *Appendix III to the Independent Auditor's Contract – Audit Extension Request*, and *Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report*, we considered the District's internal control over financial reporting and compliance as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting or compliance. Accordingly, we do not express an opinion on the District's internal control over reporting and compliance.

However, during our audit we became aware of an instance of noncompliance that we do not consider to be a material weakness or significant deficiency, but is an opportunity for strengthening internal control. In addition, we followed up on another matter we noted in our previous audit. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated November 6, 2013 on the District's basic financial statements.

Respectfully,

Mather & Co. CPAs, LLC

Mather & Co. CPAs, LLC
Louisville, Kentucky
November 6, 2013

GREEN COUNTY SCHOOL DISTRICT

**MANAGEMENT LETTER COMMENTS
JUNE 30, 2013**

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GENERAL COMMENTS

The Finance Department personnel were helpful in retrieving information we needed while conducting our audit. Segregation and accounting for the various fund groups appears to be consistent with guidelines established by the Kentucky Department of Education and other funding agencies.

The State Board for Elementary and Secondary Education has a uniform program of accounting for school activity funds in Kentucky schools. The uniform program is documented in a handbook entitled *Accounting Procedures for Kentucky School Activity Funds* (the Redbook). Each school's activity funds were tested for compliance with the Redbook. Any findings have been documented as current year comments.

ELEMENTARY, MIDDLE, AND HIGH SCHOOL ACTIVITY FUNDS

Follow-Up on Prior Year Finding

GREEN COUNTY MIDDLE SCHOOL

Prior year comment: We noted District personnel did not reconcile receipts, disbursements, and cash on hand for the School's petty cash account.

Current year follow-up: There were no such instances identified in the current year.

Current Year Finding

GREEN COUNTY HIGH SCHOOL

Statement of deficiency: Several instances were noted where multiple receipt forms were not used when student receipts were remitted.

Criteria for the deficiency: Redbook Handling Cash Procedure #1 states that teachers/sponsors/students shall use the Multiple Receipt Form when collecting money.

Cause of the deficiency: Teacher/sponsor did not utilize multiple receipt form when collecting student receipts.

Effect of the deficiency: This deficiency is a violation of Redbook Handling Cash Procedure #1 and could result in misuse of cash.

Recommendation for correction: We recommend teachers and sponsors be reminded that the Multiple Receipt Form must be used when collecting student receipts per Redbook.

Board response: We will remind all teachers and sponsors that Multiple Receipt Forms must be used when collecting student receipts per Redbook.

OTHER ISSUES RELATING TO INTERNAL CONTROLS AND GENERAL ACCOUNTING PROCEDURES

Follow-up on Prior Year Findings

There were no prior year findings.

Current Year Findings

There are no current year findings.

STATEMENT OF CERTIFICATION

State Committee for School District Audits
Frankfort, Kentucky

The Green County School District certifies that all audit adjustments have been entered into MUNIS and that an Annual Financial Report and Balance Sheet, which are in agreement with the audit report, will be transferred to KDE in conjunction with the audit report.

SUBMITTED, November 6, 2013



Superintendent



Finance Officer
