

HICKMAN COUNTY SCHOOL DISTRICT

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2013

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Board of Education and Administrative Staff

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INTRODUCTORY SECTION

HICKMAN COUNTY SCHOOL DISTRICT

June 30, 2013

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Independent Auditor's Report

Kentucky State Committee for School District Audits
Hickman County Board of Education
Clinton, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hickman County School 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hickman County School District, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-11 and 41-42 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 Hickman County School District's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 16, 2013, on our consideration of the Hickman County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Hickman County School District's internal control over financial reporting and compliance.

Alexander Thompson Arnold PLLC

Union City, Tennessee
September 16, 2013

Hickman County Schools

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Title I

HICKMAN COUNTY SCHOOL DISTRICT—CLINTON, KY MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) YEAR ENDED JUNE 30, 2013

The discussion and analysis of the Hickman County School District (District) provides a narrative overview and analysis of the District's financial statements and activities of the District for the fiscal year ended June 30, 2013. Readers are encouraged to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The beginning cash balance for the District was \$633,040. The beginning cash balance for 2013 was less than the prior year.
- The General Fund had \$6,589,322 in revenue, which primarily consisted of the state program (SEEK), property, franchise, utilities and motor vehicle taxes. The General Fund expenditures were \$6,691,344.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These financial statements are organized so the reader can understand the Hickman County School District as a whole or as one operating entity (government-wide financial statements). The statements then proceed to provide an increasingly detailed look at the District's operations by providing information about the District's most significant funds (fund financial statements).

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 are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements include the Statement of Net Position and the Statement of Activities. In the Statement of Net Position and the Statement of Activities, the District is divided into two distinct types of activities:

- **Governmental activities** – All of the District's programs and services are reported here, including instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.

- Proprietary (Business-Type) Activity – This service is provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Food Service enterprise fund is reported as a business activity.

The Statement of Net Position (on page 12) presents information on all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The Statement of Activities (on page 13) presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. All of the funds of the District can be divided into two categories: governmental and proprietary (business-type) funds. The only proprietary funds are our food service operations. All other activities of the district are included in the governmental funds.

Fund financial statements start on page 14 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 22 of this report.

THE SCHOOL DISTRICT AS A WHOLE -- GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Statement of Net Position provides the perspective of the District as a whole. Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$6,639,936 as of June 30, 2013.

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

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

Table 1 provides a comparison of the District's net position for 2012 and 2013.

**Table 1
Net Position**

Assets	2012	2013
Current Assets	\$ 1,284,456.	\$ 1,337,411.
Noncurrent Assets	\$ 11,616,282.	\$ 11,544,655.
Total Assets	\$ 12,900,738.	\$ 12,882,066.
Liabilities		
Current Liabilities	\$ 526,953.	\$ 614,414.
Noncurrent Liabilities	\$ 5,631,718.	\$ 5,627,716.
Total Liabilities	\$ 6,158,671.	\$ 6,242,130.
Net Position		
Net Investment in Capital Assets	\$ 5,689,592.	\$ 5,556,352.
Restricted	\$ 401,655.	\$ 421,045.
Unrestricted	\$ 650,820.	\$ 662,539.
Total Net Position	\$ 6,742,067.	\$ 6,639,936.

Table 2 shows changes in net position for fiscal year 2013 as compared to 2012.

Table 2
Changes in Net Position

	2012	2013
Revenues		
Program Revenues:		
Charges for Services	\$ 153,753.	\$ 176,193.
Operating Grants and Contributions	\$ 1,474,305.	\$ 1,624,285.
General Revenues:		
Local Taxes	\$ 1,912,068.	\$ 2,215,693.
Investment Earnings	\$ 17,933.	\$ 12,304.
Other Local Revenue	\$ 249,063.	\$ 124,499.
State Aid-Formula Grants	\$ 5,091,055.	\$ 4,953,752.
Medicaid Reimbursement	\$ 17,561.	\$ 23,530.
Insurance Recoveries	\$ 24,051.	\$ 18,457.
Gain (Loss) on Disposal of Assets	\$ (2,099.)	\$ (288.)
Total Revenues	\$ 8,937,690.	\$ 9,148,425.
Program Expenses		
Instruction	\$ 4,671,545.	\$ 4,860,062.
Support Services		
Student	\$ 366,009.	\$ 378,584.
Instructional Staff	\$ 289,349.	\$ 275,348.
District Administration	\$ 357,977.	\$ 482,312.
School Administration	\$ 377,610.	\$ 412,864.
Business	\$ 461,730.	\$ 289,663.
Plant Operations and Management	\$ 1,147,090.	\$ 1,128,297.
Student Transportation	\$ 541,879.	\$ 500,901.
Non-Instructional Services	\$ 120,500.	\$ 110,163.
Interest on long-term debt	\$ 195,028.	\$ 176,439.
Depreciation and amortization-unallocated	\$ 10,167.	\$ 10,907.
Food Service	\$ 613,757.	\$ 625,015.
Total Expenses	\$ 9,152,641.	\$ 9,250,555.
Change in Net Position	\$ (214,951.)	\$ (102,130.)

Governmental Activities

Total revenues for governmental activities for 2013 were \$8,525,371. Taxes made up 25.99% of revenues for governmental activities for the District. State aid and state and federal grants accounted for 71.9% of total revenue. The total cost of all programs and services for governmental activities was \$8,625,540. Instruction for governmental activities comprises 56.35% of expenses. Expenses for governmental activities for the District for 2013 exceeded revenues by \$100,169.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services for governmental activities. The net cost shows the financial burden that was placed on the taxpayers by each of these functions.

Table 3
Cost of Services

	Total Cost of Services 2013	Net Cost of Services 2013
Instruction	\$ 4,860,062.	\$ 3,682,559.
Support Services		
Student	\$ 378,584.	\$ 378,584.
Instructional Staff	\$ 275,348.	\$ 275,348.
District Administration	\$ 482,312.	\$ 482,312.
School Administration	\$ 412,864.	\$ 412,864.
Business	\$ 289,663.	\$ 289,663.
Plant Operations and Management	\$ 1,128,297.	\$ 1,128,297.
Student Transportation	\$ 500,901.	\$ 500,901.
Non-instructional Services	\$ 110,163.	\$ 110,163.
Interest on long-term debt	\$ 176,439.	\$ 176,439.
Depreciation and amortization-unallocated	\$ 10,907.	\$ 10,907.
Total Expenses	\$ 8,625,540.	\$ 7,448,037.

Proprietary (Business-Type) Activities

The only proprietary (business-type) activity of the school district is the food service operation. The following table represents a summary of revenues and expenses for the fiscal year ended June 30, 2013.

	<u>Amount</u>
Revenues:	
Local revenue sources	\$ 174,693
State revenue sources	\$ 4,645
State on-behalf payments	\$ 47,069
Federal revenue	\$ 362,780
Donated commodities	\$ 33,788
Interest	\$ 79
Total Revenue	\$ 623,054
Expenses:	
Food service	\$ 625,015
Total Expenses	\$ 625,015
Change in Net Position	\$ (1,961)

General Fund Budgetary Highlights

The District's budget is prepared according to Kentucky law and is based on accounting for certain transactions on a basis of cash receipts, accounts receivable, disbursements, accounts payable and encumbrances. The most significant budgeted fund is the General Fund. The District received 67.6% of its General Fund revenue from state funding. Local taxes generated 31.5% of the total revenue. Other local revenues, investments and indirect federal funds make up the remaining 0.9%.

The majority of the General Fund budget was expended on direct student instruction (56.3%) and student support expenditures (9.3%) for a total of 65.6% of the General Fund expenditures for instruction. The remaining 34.4% was expended for central support services (28.2%) and school administrative support (6.2%). Central support expenditures were Transportation 20.6%, Plant Operation and Maintenance 39.5%, District Administration 24.7%, and Business 15.2%.

A component of MD&A is an analysis of significant variations between the original (May) and final (September) budgets and between final budget amounts and actual budget results (actual revenues and expenses) for the General Fund. Conservative budgeting of revenues resulted in actual receipts exceeding the budgeted amounts. On behalf payments made by the state are not included in budgeted amounts and, therefore, create overages in both the revenue and corresponding expenditure accounts. Variances in expenditure accounts as a result of unexpected events and/or decisions made after the preparation of the working budget include the following:

District Administrative Support

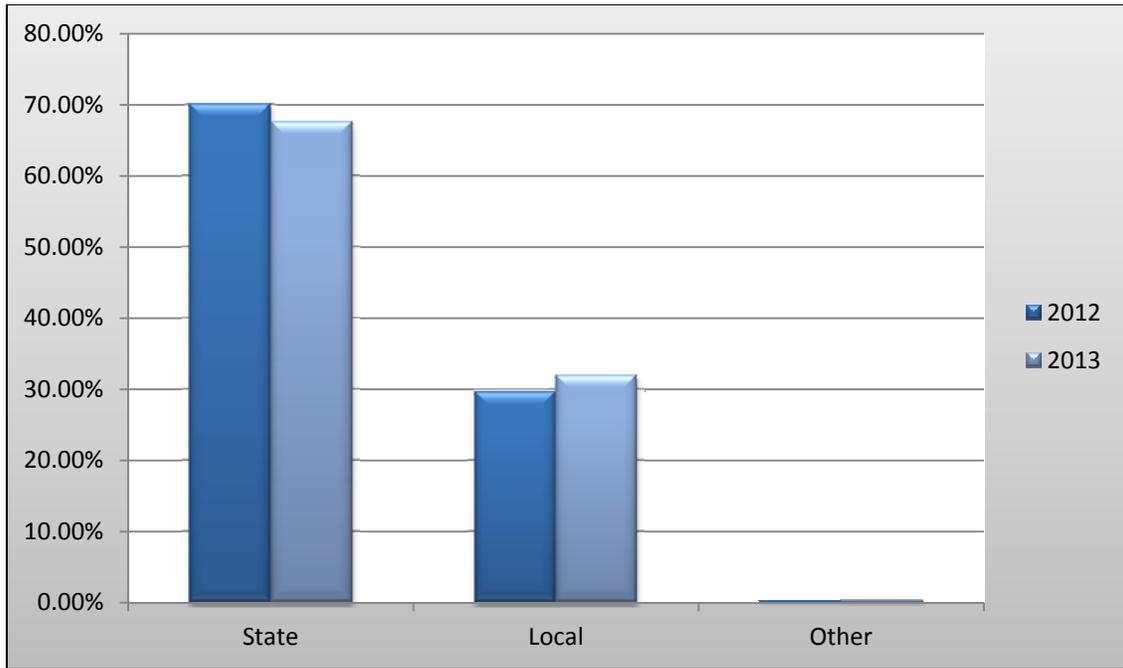
Expenditures for workers' compensation insurance exceeded the budgeted amount due to two years' premiums being paid during the 2012-2013 school year.

Fund Transfers

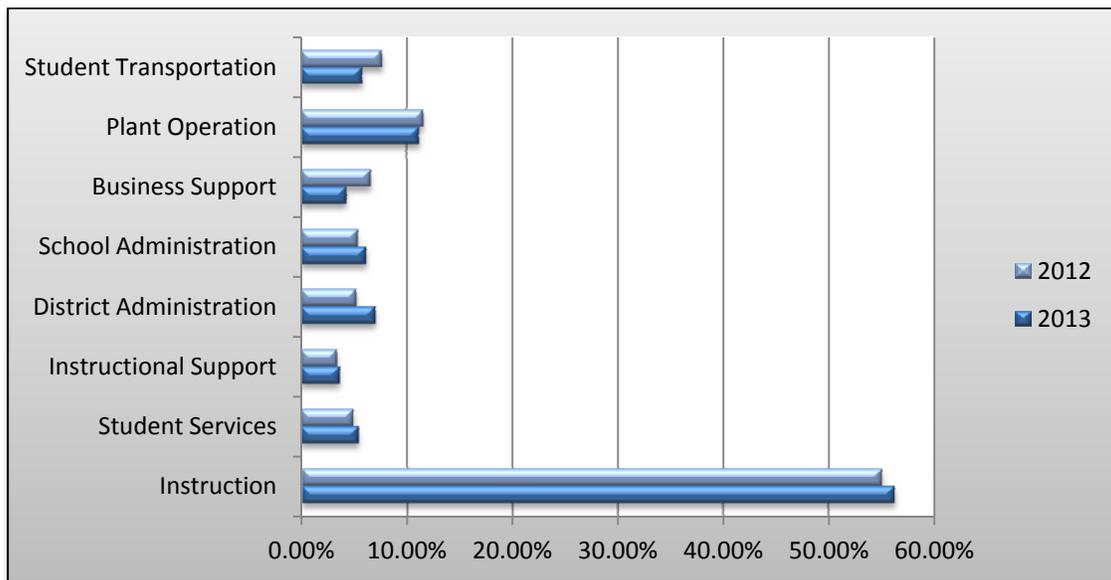
The District transfers included SFCC KETS matching funds, Community Education matching funds and the District costs for the Gifted Education Consortium.

General Fund Revenue for 2013 was \$6,589,322, which is a 0.7% increase over 2012. The following charts indicate the percentages of sources of funding and the percentages of categories of expenditures.

GENERAL FUND REVENUE SOURCES



GENERAL FUND EXPENSES



CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of the fiscal year 2013, the District had \$ 11,216,795 invested in land, buildings, equipment and vehicles. Table 4 shows fiscal year 2013 balances.

Table 4
Capital Assets (Net of Depreciation) at June 30

	Governmental Activities 2013	Proprietary (Business-type) Activities 2013
Land and Improvements	\$ 331,530.	
Buildings and Improvements	\$ 9,635,838.	\$ 479,232.
Technology Equipment	\$ 209,245.	\$ 965.
Vehicles	\$ 281,406.	
General Equipment	\$ 115,507.	\$ 163,072.
Total Capital Assets	\$ 10,573,526.	\$ 643,269.

Debt Administration

As of June 30, 2013, the District had \$ 5,872,035 of outstanding debt.

BUDGETARY IMPLICATIONS

In Kentucky, the public school fiscal year is July 1 through June 30; other programs, i.e. some federal, operate on a different fiscal calendar but are reflected in the district overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a 2013 budget with \$150,726 in contingency (2.7%).

Questions regarding this report should be directed to Kenny Wilson, Superintendent, or to Susan Farlee, Finance Officer, at (270) 653-2341 or by mail at 416 Waterfield Drive North, Clinton, Kentucky 42031.

BASIC FINANCIAL STATEMENTS

HICKMAN COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2013

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 587,624	\$ 24,942	\$ 612,566
Receivables			
Accounts	39,588	27,396	66,984
Intergovernmental - State and local	73,937	-	73,937
Intergovernmental - Federal	152,648	-	152,648
Inventories	-	19,961	19,961
Deferred bond issuance cost, net	116,268	-	116,268
Deferred amount on refunding	211,592	-	211,592
Restricted investments	411,315	-	411,315
Capital assets not being depreciated:			
Land	60,000	-	60,000
Capital assets, net of accumulated depreciation:			
Land improvements	271,530	-	271,530
Buildings and improvements	9,635,838	479,232	10,115,070
Technology equipment	209,245	965	210,210
Vehicles	281,406	-	281,406
General equipment	115,507	163,072	278,579
Total assets	<u>12,166,498</u>	<u>715,568</u>	<u>12,882,066</u>
Liabilities			
Accounts payable	57,552	-	57,552
Unearned revenue	37,471	-	37,471
Accrued interest	30,704	-	30,704
Long-term liabilities			
Portion due or payable within one year			
Bonds	468,368	-	468,368
Accrued sick leave	20,319	-	20,319
Portion due or payable after one year			
Bonds	5,403,667	-	5,403,667
Accrued sick leave	224,049	-	224,049
Total liabilities	<u>6,242,130</u>	<u>-</u>	<u>6,242,130</u>
Net Position			
Net investment in capital assets	4,913,083	643,269	5,556,352
Restricted for			
Sick leave	33,000	-	33,000
Debt service	380,625	-	380,625
SFCC escrow	7,420	-	7,420
Unrestricted	590,240	72,299	662,539
Total net position	<u>\$ 5,924,368</u>	<u>\$ 715,568</u>	<u>\$ 6,639,936</u>

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

HICKMAN COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

<u>Functions / Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Change in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities						
Instruction	\$ 4,860,062	\$ 1,500	\$ 1,176,003	\$ (3,682,559)	\$ -	\$ (3,682,559)
Support services						
Student	378,584	-	-	(378,584)	-	(378,584)
Instructional staff	275,348	-	-	(275,348)	-	(275,348)
District administration	482,312	-	-	(482,312)	-	(482,312)
School administration	412,864	-	-	(412,864)	-	(412,864)
Business	289,663	-	-	(289,663)	-	(289,663)
Plant operations and management	1,128,297	-	-	(1,128,297)	-	(1,128,297)
Student transportation	500,901	-	-	(500,901)	-	(500,901)
Non-instructional services	110,163	-	-	(110,163)	-	(110,163)
Interest on long-term debt	176,439	-	-	(176,439)	-	(176,439)
Amortization - unallocated	10,907	-	-	(10,907)	-	(10,907)
Total governmental activities	<u>8,625,540</u>	<u>1,500</u>	<u>1,176,003</u>	<u>(7,448,037)</u>	<u>-</u>	<u>(7,448,037)</u>
Business-Type Activities						
Food service	<u>625,015</u>	<u>174,693</u>	<u>448,282</u>	<u>-</u>	<u>(2,040)</u>	<u>(2,040)</u>
Total business-type activities	<u>625,015</u>	<u>174,693</u>	<u>448,282</u>	<u>-</u>	<u>(2,040)</u>	<u>(2,040)</u>
Total primary government	<u>\$ 9,250,555</u>	<u>\$ 176,193</u>	<u>\$ 1,624,285</u>	<u>(7,448,037)</u>	<u>(2,040)</u>	<u>(7,450,077)</u>
General Revenues:						
Taxes						
Property				1,454,731	-	1,454,731
Motor vehicle				184,189	-	184,189
Utilities				314,968	-	314,968
Other				261,805	-	261,805
Investment earnings				12,225	79	12,304
Other local revenue				124,499	-	124,499
State aid - formula grants				4,953,752	-	4,953,752
Medicaid reimbursement				23,530	-	23,530
Insurance recoveries				18,457	-	18,457
Loss on disposal of assets				(288)	-	(288)
Total general revenues				<u>7,347,868</u>	<u>79</u>	<u>7,347,947</u>
Change in net position				(100,169)	(1,961)	(102,130)
Net position, beginning of year				6,024,537	717,529	6,742,066
Net position, end of year				<u>\$ 5,924,368</u>	<u>\$ 715,568</u>	<u>\$ 6,639,936</u>

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

**HICKMAN COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 580,190	\$ -	\$ 14	\$ 7,420	\$ 587,624
Receivables					
Accounts	38,690	898	-	-	39,588
Intergovernmental - State and local	-	152,648	-	-	152,648
Intergovernmental - Federal	-	73,937	-	-	73,937
Due from other funds	174,591	-	-	-	174,591
Restricted investments	-	-	411,315	-	411,315
Total assets	<u>\$ 793,471</u>	<u>\$ 227,483</u>	<u>\$ 411,329</u>	<u>\$ 7,420</u>	<u>\$ 1,439,703</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 42,131	\$ 15,421	\$ -	\$ -	\$ 57,552
Due to other funds	-	174,591	-	-	174,591
Unearned revenue	-	37,471	-	-	37,471
Total liabilities	<u>42,131</u>	<u>227,483</u>	<u>-</u>	<u>-</u>	<u>269,614</u>
Fund Balances					
Restricted	33,000	-	411,329	7,420	451,749
Assigned	10,980	-	-	-	10,980
Unassigned	707,360	-	-	-	707,360
Total fund balances	<u>751,340</u>	<u>-</u>	<u>411,329</u>	<u>7,420</u>	<u>1,170,089</u>
Total liabilities and fund balances	<u>\$ 793,471</u>	<u>\$ 227,483</u>	<u>\$ 411,329</u>	<u>\$ 7,420</u>	<u>\$ 1,439,703</u>

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

**HICKMAN COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2013**

Total fund balances - governmental funds	\$ 1,170,089
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$16,517,547 and the accumulated depreciation is \$5,944,021.</p>	10,573,526
<p>Certain long-term assets related to bond issue costs are not reported in the governmental funds because they are not available to pay current period expenditures. These assets are, however, included in the statement of net position.</p>	327,860
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:</p>	
Bonds payable	(5,872,035)
Accrued interest on the bonds	(30,704)
Accrued sick leave payable	<u>(244,368)</u>
Total net position - governmental activities	<u>\$ 5,924,368</u>

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

HICKMAN COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
From local sources					
Taxes					
Property	\$ 1,329,977	\$ -	\$ -	\$ 124,754	\$ 1,454,731
Motor vehicle	166,846	-	-	17,343	184,189
Utilities	314,968	-	-	-	314,968
Other	261,805	-	-	-	261,805
Earnings on investments	2,587	-	9,638	-	12,225
Other local revenues	32,531	132,371	-	-	164,902
Intergovernmental - State	4,457,078	398,088	325,545	171,129	5,351,840
Intergovernmental - Indirect Federal	23,530	739,012	-	-	762,542
Total revenues	<u>6,589,322</u>	<u>1,269,471</u>	<u>335,183</u>	<u>313,226</u>	<u>8,507,202</u>
Expenditures					
Current					
Instruction	3,765,052	1,040,554	-	-	4,805,606
Support Services					
Student	371,252	-	-	-	371,252
Instructional staff	247,886	24,872	-	-	272,758
District administration	467,978	-	-	-	467,978
School administration	411,763	-	-	-	411,763
Business	287,403	-	-	-	287,403
Plant operation and management	749,392	-	-	-	749,392
Student transportation	390,558	43,114	-	-	433,672
Non-instructional services	60	109,264	-	-	109,324
Facilities acquisition and construction	-	-	-	476,155	476,155
Debt Service					
Principal	-	-	431,000	-	431,000
Interest and issuance cost	-	-	183,452	-	183,452
Total expenditures	<u>6,691,344</u>	<u>1,217,804</u>	<u>614,452</u>	<u>476,155</u>	<u>8,999,755</u>
Excess (deficit) of revenues over expenditures	<u>(102,022)</u>	<u>51,667</u>	<u>(279,269)</u>	<u>(162,929)</u>	<u>(492,553)</u>
Other Financing Sources (Uses)					
Compensation for loss of assets	18,457	-	-	-	18,457
Bond proceeds	-	-	457,000	-	457,000
Transfers in	80,500	28,833	296,299	485,694	891,326
Transfers out	(40,799)	(80,500)	(441,626)	(328,401)	(891,326)
Total other financing sources (uses)	<u>58,158</u>	<u>(51,667)</u>	<u>311,673</u>	<u>157,293</u>	<u>475,457</u>
Net change in fund balances	(43,864)	-	32,404	(5,636)	(17,096)
Fund balances, beginning of year	<u>795,204</u>	<u>-</u>	<u>378,925</u>	<u>13,056</u>	<u>1,187,185</u>
Fund balances, end of year	<u>\$ 751,340</u>	<u>\$ -</u>	<u>\$ 411,329</u>	<u>\$ 7,420</u>	<u>\$ 1,170,089</u>

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

HICKMAN COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

Total net change in fund balances - governmental funds	\$	(17,096)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$534,754) exceeds capital outlays (\$509,548) in the period.		(25,206)
In the statement of activities, only the gain or loss on the sale of assets is reported. This is the amount by which the costs of retired assets exceed their accumulated depreciation.		(288)
Issuance of bonds is an other financing source in the governmental funds, but the issuance increases long-term liabilities in the statement of net position.		(457,000)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		431,000
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.		(5,505)
Costs associated with issuing bonds are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the life of the bonds. Costs associated with issuing bonds consists of:		
Deferred bond issuance costs, net of refunded issuance costs		16,150
Expenditures from the call premium on the 1997 bond issue (\$34,500) were recorded as a use in the governmental funds in 2007-2008, which was the year they were called. This call premium was not recorded as an expenditure in the statement of activities, but rather was recorded as a reduction in long-term liabilities to be expensed in the statement of activities. The current year interest expense related to this call premium is \$3,632.		(3,632)
Some expenses, such as amortization expense on bond issue costs and discounts, reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(10,907)
In the statement of activities, certain operating expenses - accumulated sick leave - are recognized when they are incurred during the year. In the governmental funds, however, expenditures for these items are limited to only those that use current financial resources.		<u>(27,685)</u>
Change in net position of governmental activities	\$	<u>(100,169)</u>

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

HICKMAN COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2013

	<u>Food Service Fund</u>
Assets	
Current Assets	
Cash and cash equivalents	\$ 24,942
Receivables	
Intergovernmental - Federal	27,396
Inventories	<u>19,961</u>
Total current assets	<u>72,299</u>
Noncurrent Assets	
Buildings and improvements	1,035,533
Technology equipment	10,169
General equipment	360,747
Accumulated depreciation	<u>(763,180)</u>
Total noncurrent assets	<u>643,269</u>
Total assets	<u>715,568</u>
Liabilities	
Total liabilities	<u>-</u>
Net Position	
Net investment in capital assets	643,269
Unrestricted	<u>72,299</u>
Total net position	<u>\$ 715,568</u>

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

HICKMAN COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2013

	<u>Food Service Fund</u>
Operating Revenues	
Lunchroom sales	\$ 174,693
Total operating revenues	<u>174,693</u>
 Operating Expenses	
Salaries, wages and benefits	272,159
Contract services	11,441
Materials and supplies	297,585
Depreciation	43,709
Other	<u>121</u>
Total operating expenses	<u>625,015</u>
 Operating loss	 <u>(450,322)</u>
 Non-Operating Revenues (Expenses)	
Interest income	79
Donated commodities	33,788
Grants - child nutrition program	362,780
State funding - on-behalf payments	47,069
State matching	<u>4,645</u>
Total non-operating revenues (expenses)	<u>448,361</u>
 Change in net position	 (1,961)
 Total net position, beginning of year	 <u>717,529</u>
 Total net position, end of year	 <u>\$ 715,568</u>

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

HICKMAN COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2013

	<u>Food Service Fund</u>
Cash Flows from Operating Activities	
Cash received from:	
Lunchroom sales	\$ 174,808
Cash paid for:	
Salaries, wages and benefits	(225,090)
Contract services	(11,441)
Materials and supplies	(257,059)
Other	(121)
Net cash used by operating activities	<u>(318,903)</u>
Cash Flows from Noncapital Financing Activities	
Nonoperating federal grants received	335,384
Nonoperating state grants received	4,645
Net cash provided by noncapital financing activities	<u>340,029</u>
Cash Flows from Investing Activities	
Interest income	<u>79</u>
Net increase in cash and cash equivalents	<u>21,205</u>
Cash and cash equivalents, beginning of year	<u>3,737</u>
Cash and cash equivalents, end of year	<u>\$ 24,942</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities	
Operating loss	\$ (450,322)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	43,709
Commodities used	33,788
Salaries, wages and benefits (on-behalf payments)	47,069
Changes in assets and liabilities	
Accounts receivable	115
Accounts payable	(365)
Inventories	7,103
Net cash used by operating activities	<u>\$ (318,903)</u>
Noncash Noncapital Financing Activities	
Donated food commodities received from the U.S. Department of Agriculture	<u>\$ 33,788</u>
State funding - on-behalf payments	<u>\$ 47,069</u>

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

**HICKMAN COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2013**

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 56,944
Total assets	\$ 56,944
Liabilities	
Due to student groups	\$ 53,421
Due to agencies	3,523
Total liabilities	\$ 56,944

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

NOTES TO FINANCIAL STATEMENTS

**HICKMAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Hickman County School District substantially comply with the rules prescribed by the Kentucky Department of Education for local school districts.

A. Reporting Entity

The Hickman 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 Hickman County School District (District). The Board receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards as Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

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

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

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

Hickman County School District Finance Corporation – On June 3, 1992, the Hickman County, Kentucky, Board of Education resolved to authorize the establishment of the Hickman County School District Finance corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Hickman County Board of Education also comprise the Corporation's Board of Directors.

B. Basis of Presentation

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

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but

**HICKMAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2013

differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

Fund Financial Statements – Fund financial statements are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into three primary categories: governmental, business-type (proprietary), and fiduciary. An emphasis is placed on major funds within the governmental and business-type categories, and a fund is considered major if it meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of that individual fund are at least 5 percent of the corresponding total for all governmental and business-type funds combined.

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

The District has the following funds:

I. Governmental Fund Types

- a. The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.

HICKMAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

- b. The Special Revenue (Grant) Fund accounts for proceeds of specific revenue sources (other than agency funds or major capital projects) that are legally restricted to disbursements for specified purposes. They include federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.
- c. Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by proprietary funds).
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
 - 2. The Facility Support Program of Kentucky Building Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
 - 3. The Construction Funds account for proceeds from sales of bonds and other revenues to be used for authorized construction.
 - 4. The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related costs; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law. This is a major fund of the District.

II. Proprietary Fund Type (Enterprise Fund)

- a. The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program and School Breakfast Program, which are conducted in cooperation with the U.S. Department of Agriculture (USDA). This is a major fund of the District.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

III. Fiduciary Fund Type (includes agency and trust funds)

HICKMAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

- a. The Activity Funds account for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds. The Board has the responsibility for custody and safekeeping of other agency funds.

C. Basis of Accounting

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

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Property taxes levied to finance fiscal year 2013 are recorded when there is an enforceable legal claim and when the revenue is measurable and available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, and, matching requirements, in which the District must provide local resources to be used for a specified purpose. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities received, payments made by the State on-behalf of the District and the changes in the accrued sick leave during the year are reported in the statement of cash flows of the proprietary fund as a noncash, noncapital financing activity.

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

**HICKMAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

D. Property Taxes

Property taxes collected are recorded as revenues in the fund for which they were levied. Property taxes are levied on the assessed value listed as of the prior January 1 for all real and personal property located in the District. Taxes become delinquent after December 31.

The property tax rates for the year ended June 30, 2013 to finance the General Fund operations were \$.526 per \$100 valuation for real property, \$.526 per \$100 valuation for business tangible personal property, and \$.547 per \$100 valuation for motor vehicles.

E. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District maintains a capitalization threshold of \$1,000 with the exception of technology 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 expensed as a current operating expenditure.

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

Description	Estimated Lives
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Food service equipment	12 years
General equipment	10-20 years

F. Interfund Activity

Interfund transactions are reflected as loans or transfers. Loans are reported as receivables and payables as appropriate, and are referred to as either "due to/from other funds". These loans are subject to elimination upon consolidation. Any residual balances outstanding between governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

HICKMAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

All other interfund transactions are treated as transfers. Transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

G. Budgetary Process

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

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

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

An approved budget can be amended by the Board and all budget appropriations lapse at year-end.

H. 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 year. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying combined financial statements.

I. Cash, Cash Equivalents and Investments

The Board considers demand deposits, money market accounts, and time deposits that are nonnegotiable, to be cash and cash equivalents, for the governmental, proprietary and fiduciary funds. This definition is also used for the proprietary fund's statement of cash flows.

The District may invest funds in a bank depository selected by the Board, bonds of the United States, or instruments issued by political subdivisions of Kentucky, however, such investments must be approved by the Kentucky Department of Education.

J. Inventories

Inventories are stated at average cost using the first-in, first-out method for both the governmental fund types and proprietary funds.

Inventories are expensed when used in the government-wide financial statements and recorded as expenditures in the governmental fund types when purchased.

**HICKMAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2013

Nonmonetary assistance is reported in the proprietary fund at the market value of the commodities received/used.

K. Restricted Assets

Certain investments of the District's Debt Service Fund are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants and they are maintained in a separate account.

L. Accrued and Long-Term Liabilities

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

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

M. Fund Balances

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

Nonspendable fund balance

This classification includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted fund balance

This classification includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted with the consent of resource providers.

Committed fund balance

This classification includes amounts that can only be used for the specific purposes determined by a formal action of the District's highest level of decision-making authority, the Board of Education of the Hickman County School District. Commitments may be changed or lifted only by the District taking the same formal action that imposed the constraint originally (for example: resolution)

Assigned fund balance

This classification includes amounts intended to be used by the District for specific purposes that are neither restricted nor committed. The Board and its designees (Superintendent and Finance

HICKMAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Officer) have the authority to assign amounts to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) that are not classified as nonspendable, restricted, or committed.

Unassigned fund balance

This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

N. Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation and 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 their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governmental entities.

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

O. Estimates

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

**HICKMAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2013

P. Deferred Outflows and Inflows of Resources

During the year ended June 30, 2013, the District adopted the provisions of GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. The objective of the statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources.

As of June 30, 2013, the District did not have any financial statement elements that meet the definition of deferred outflows of resources or deferred inflows of resources under GASB statement No. 63.

NOTE 2 – DETAILED NOTES ON ACCOUNTS

A. Deposits

The District maintained deposits of public funds with depository institutions insured by FDIC as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institutions should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. As stipulated by KRS 41.240(4), all deposits are collateralized with eligible securities or other obligations having an aggregate current face value or current quoted market value at least equal to the deposits. The District does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4).

At fiscal year-end, the carrying amount of the District's deposits was \$669,510 and the bank balance was \$1,388,617. Of the District's bank balance, \$1,075,531 was collateralized as discussed above because it was uninsured, while \$313,086 was covered by Federal Deposit Insurance

For purposes of the Statement of Cash Flows, the District considers all investments with a maturity of three months or less when purchased to be cash equivalents.

Reconciliation to Government-wide Statement of Net Position:	
Unrestricted cash	\$ 612,566
Fiduciary fund cash (not included in government-wide statement)	<u>56,944</u>
	<u>\$ 669,510</u>

These amounts are reported in the financial statements, as follows:	
Governmental activities	\$ 587,624
Business-type activities	24,942
Fiduciary funds	<u>56,944</u>
	<u>\$ 669,510</u>

**HICKMAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

B. Restricted Investments

The District sold a \$455,000 Qualified Zone Academy Bond (QZAB) on June 10, 2003, for the purpose of financing the cost of renovations to the high school gym. On the delivery date an initial cash payment in the amount of \$100,000 was required to be deposited in a Prefunded Escrow Account at Fifth Third Bank in Cincinnati, Ohio. The account has since been moved to The Bank of New York Mellon Trust Company. This prepayment and the annual bond payments of \$25,439, will be deposited in this escrow account, which should earn an amount sufficient to retire the \$455,000 bond principal due on June 10, 2018.

The District's policy regarding investments is discussed in Note 11. At fiscal year-end, the District had the following investment in the QZAB escrow account:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Percent of Total</u>	<u>Maturities Within 1 Year</u>
Federal Home Loan Bank	\$ <u>411,315</u>	100%	\$ <u>411,315</u>

The District does not have an investment policy for interest rate risk, credit risk, custodial credit risk or concentration of credit risk beyond the requirements of KRS 66.480. For an investment, custodial credit risk is the risk that, in the event of a failure of the counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. The Federal Home Loan Bank is exposed to custodial credit risk in that it is uninsured and held by the counterparty's trust department in the District's name.

C. Capital Assets

Changes in the capital assets during the year are summarized below:

<u>Governmental Activities</u>	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2013</u>
Non-depreciable				
Land	\$ 60,000	\$ -	\$ -	\$ 60,000
Construction in progress	<u>73,931</u>	<u>476,155</u>	<u>550,086</u>	<u>-</u>
Totals	<u>133,931</u>	<u>476,155</u>	<u>550,086</u>	<u>60,000</u>
Depreciable				
Land improvements	559,549	-	-	559,549
Buildings and improvements	13,217,137	550,086	-	13,767,223
Technology equipment	710,148	33,393	22,920	720,621
Vehicles	1,087,650	-	-	1,087,650
General equipment	<u>322,504</u>	<u>-</u>	<u>-</u>	<u>322,504</u>
Totals	<u>15,896,988</u>	<u>583,479</u>	<u>22,920</u>	<u>16,457,547</u>
Less: Accumulated depreciation				
Land improvements	266,836	21,183	-	288,019
Buildings and improvements	3,795,045	336,340	-	4,131,385
Technology equipment	443,698	90,310	22,632	511,376

**HICKMAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>
Vehicles	735,253	70,991	-	806,244
General equipment	191,067	15,930	-	206,997
Totals	<u>5,431,899</u>	<u>534,754</u>	<u>22,632</u>	<u>5,944,021</u>
Net Book Value	<u>10,465,089</u>	<u>48,725</u>	<u>288</u>	<u>10,513,526</u>
Governmental activities capital assets - net	<u>\$ 10,599,020</u>	<u>\$ 524,880</u>	<u>\$ 550,374</u>	<u>\$ 10,573,526</u>
 <u>Business-Type Activities</u>				
Depreciable				
Buildings and improvements	\$ 1,035,533	\$ -	\$ -	\$ 1,035,533
Technology equipment	10,169	-	-	10,169
Food service equipment	360,747	-	-	360,747
Totals	<u>1,406,449</u>	<u>-</u>	<u>-</u>	<u>1,406,449</u>
Less: Accumulated depreciation				
Buildings	534,075	22,226	-	556,301
Technology equipment	7,811	1,393	-	9,204
Food service equipment	177,585	20,090	-	197,675
Totals	<u>719,471</u>	<u>43,709</u>	<u>-</u>	<u>763,180</u>
Business-type activities capital assets – net	<u>\$ 686,978</u>	<u>\$ (43,709)</u>	<u>\$ -</u>	<u>\$ 643,269</u>

Depreciation expense has been recorded as a direct expense in the applicable governmental activity functions, as follows:

Instruction	\$ 69,493
Support services:	
Student	2,806
Instructional staff	3,175
District administration	14,263
School administration	2,255
Plant operations and management	377,280
Student transportation	<u>65,482</u>
	<u>\$ 534,754</u>

D. Long-Term Liabilities

The District's debt is the responsibility of the governmental activities. The original amount of each bond issue, the bond issue dates, interest rates, and maturity dates are summarized below:

<u>Issue</u>	<u>Original Amount</u>	<u>Interest Rates</u>	<u>Maturity Dates</u>
1996	\$ 170,000	5.15% - 5.75%	2017
2003	425,000	1.75% - 2.75%	2015
2003 (QZAB)	455,000	5.00% - 5.06%	2018

**HICKMAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2013

<u>Issue</u>	<u>Original Amount</u>	<u>Interest Rates</u>	<u>Maturity Dates</u>
2004	3,005,000	2.15% - 4.10%	2014
2008 (Refunding)	1,815,000	2.10% - 3.20%	2017
2008	1,300,000	3.00% - 4.85%	2028
2011 KISTA	396,465	1.50% - 4.30%	2031
2012 (Refunding)	2,185,000	0.50% - 2.125%	2024
2012 KISTA	457,000	2.00% - 3.375%	2032

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

In 1989, the District entered into "participation agreements" with the Kentucky School Facilities Construction Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local school districts in meeting school construction needs.

Changes in the bond issues during the year are summarized below:

<u>Issue</u>	<u>Balance at July 1, 2012</u>	<u>New Issues</u>	<u>Retirements</u>	<u>Balance at June 30, 2013</u>
1996	\$ 50,000	\$ -	\$ 10,000	\$ 40,000
2003	95,000	-	40,000	55,000
2003 (QZAB)	455,000	-	-	455,000
2004	270,000	-	130,000	140,000
2008 (Refunding)	1,180,000	-	170,000	1,010,000
2008	1,260,000	-	15,000	1,245,000
2011 KISTA	396,465	-	6,000	390,465
2012 (Refunding)	2,155,000	-	60,000	2,095,000
2012 KISTA	-	457,000	-	457,000
	<u>\$ 5,861,465</u>	<u>\$ 457,000</u>	<u>\$ 431,000</u>	<u>\$ 5,887,465</u>

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

<u>Year</u>	<u>Hickman County School District</u>		<u>Kentucky School Facilities Construction Commission</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2014	\$ 206,326	\$ 95,130	\$ 255,674	\$ 66,795	\$ 623,925
2015	210,347	89,066	254,653	58,678	612,744
2016	217,004	82,573	248,996	54,769	603,342
2017	225,379	75,693	252,621	48,875	602,568

**HICKMAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

Year	Hickman County School District		Kentucky School Facilities Construction Commission		Total
	Principal	Interest	Principal	Interest	
2018	687,053	68,186	240,947	43,313	1,039,499
2019-2023	535,710	271,846	1,121,290	133,724	2,062,570
2024-2028	678,791	142,903	356,209	35,598	1,213,501
2029-2033	307,511	22,132	88,954	7,131	425,728
	<u>\$ 3,068,121</u>	<u>\$ 847,529</u>	<u>\$ 2,819,344</u>	<u>\$ 448,883</u>	<u>\$ 7,183,877</u>

Changes in the long-term liability accounts during the year are summarized below:

	Balance at July 1, 2012	Increases	Decreases	Balance at June 30, 2013	Due in One Year
Bonds	\$ 5,861,465	\$ 457,000	\$ 431,000	\$ 5,887,465	\$ 472,000
Less unamortized call premium on refunding bond issue	<u>(19,062)</u>	<u>3,632</u>	<u>-</u>	<u>(15,430)</u>	<u>(3,632)</u>
	5,842,403	460,632	431,000	5,872,035	468,368
Accrued sick leave Governmental activities	<u>216,683</u>	<u>58,468</u>	<u>30,783</u>	<u>244,368</u>	<u>20,319</u>
	<u>\$ 6,059,086</u>	<u>\$ 519,100</u>	<u>\$ 461,783</u>	<u>\$ 6,116,403</u>	<u>\$ 488,687</u>

As explained in Note 1, payments on the District's bonds are made by the Debt Service Fund. The compensated absences will be liquidated by the General Fund. In the past, these liabilities have been paid each year by the General Fund.

On August 1, 2012, the District entered into a \$457,000 KISTA Education Facilities Lease for the purpose of financing a roofing project. The bonds carry interest rates of 2.00% to 3.375% and mature between August 1, 2013 and August 1, 2032.

E. Compensated Absences and Accumulated Sick Leave

Certified and classified employees of the District are entitled to payment of 20% of the value of accumulated sick and personal days upon retirement. The total amount of accumulated benefits for all employees eligible to retire at June 30, 2013, is \$114,885. Kentucky Revised Statutes allow the District to restrict up to 50% of these benefits. A balance of \$33,000 is restricted in the General Fund at the balance sheet date. The District recognizes the expense of these benefits when payment is made by the governmental fund to a retiring employee.

Accrued sick leave benefits are estimated by the vesting method. This entire future obligation is reported in the government-wide financial statements.

HICKMAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

F. Fund Balances

Amounts for specific purposes by fund and fund balance classifications for the year ended June 30, 2013 are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Outlay</u>	<u>Building</u>	<u>Construction</u>	<u>Debt Service</u>
Restricted for:						
Sick leave	\$ 33,000	\$ -	\$ -	\$ -	\$ -	\$ -
SFCC escrow	-	-	7,420	-	-	-
Debt service	-	-	-	-	-	411,329
	<u>33,000</u>	<u>-</u>	<u>7,420</u>	<u>-</u>	<u>-</u>	<u>411,329</u>
Assigned for:						
SBDM	<u>10,980</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>10,980</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unassigned	<u>707,360</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>\$ 751,340</u>	<u>\$ -</u>	<u>\$ 7,420</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 411,329</u>

G. Interfund Transactions

Interfund Receivables/Payables (Short-Term)

The General Fund extends short-term cash flow loans to funds outside the General Fund that receive funding on a reimbursement basis. Repayment is expected when available cash is in excess of that needed for operations. The balance of \$174,591 due to the General fund from Special Revenue is a short-term cash flow loan.

Transfers

The following transfers were made during the year:

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Special Revenue	Community Education	\$ 12,944
General	Special Revenue	KETS	10,774
General	Special Revenue	Gifted Consortium	5,115
General	Construction	Construction	11,966
Special Revenue	General	Headstart Reimbursement	80,500
Capital Outlay	Construction	Construction	32,102
Debt Service	Construction	Construction	441,626
Capital Outlay	Debt Service	Debt service	50,797
Building Fund	Debt Service	Debt service	245,502

H. Deficit Operating/Fund Balances

The following fund had operations that resulted in a current year deficit of revenues/transfers in over expenditures/transfers out:

**HICKMAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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General Fund	\$ 43,864
Capital Outlay	15,175
Food Service	1,961

I. On-Behalf Payments

The Kentucky State Department of Education has indicated the following amounts were contributed on-behalf of the District for the year ended June 30, 2013:

Contributions to Kentucky Teachers' Retirement System	\$ 485,565
Health insurance, life insurance, flexible Spending accounts (includes administrative fee)	924,385
Technology	37,069
Debt Service	<u>325,545</u>
	<u>\$ 1,772,564</u>

The District does not include on-behalf payments in their budgets. The total of these payments, has been included in revenues and the applicable expenditure functions in these financial statements, as follows:

Governmental activities	
General Fund	\$ 1,399,950
Debt Service Fund	325,545
Business-type activities	<u>47,069</u>
	<u>\$ 1,772,564</u>

NOTE 3 – OTHER INFORMATION

A. Retirement Plans

Pension plan

The District contributes to the Kentucky Teachers' Retirement System (KTRS) and the County Employees' Retirement System (CERS). These are cost-sharing, multiple employer defined benefit plans. KTRS administers retirement and disability annuities, and death and survivor benefits to certified employees and beneficiaries 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 (4) year college degree or certification by KY Department of Education (KDE). CERS administers similar programs for its employees and beneficiaries of county governmental entities, which includes classified employees of the District.

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 the Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601 or from the KTRS website at

**HICKMAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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<http://ktrs.ky.gov/>. CERS issues a publicly available financial report that can be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Perimeter Park West, Frankfort, KY 40601.

Contribution rates for both plans are determined by the legislature. KTRS members are required to contribute 10.855% of their salaries to KTRS and the Commonwealth of Kentucky is required to contribute 14.105% of salaries. The Commonwealth of Kentucky is required to contribute 15.160% of salaries for KTRS members hired as critical shortage employees. The federal program for any salaries paid by that program pays the matching contribution. The District is required to contribute 1.00% of all KTRS member salaries to KTRS. CERS members hired before September 1, 2008, are required to contribute 5% of their salaries to CERS. CERS members hired on or after September 1, 2008, are required to contribute an additional 1% their salaries to CERS. The District is required to contribute 19.55% of all CERS salaries.

The District's total payroll for the year was \$5,018,966. The payroll for employees covered under KTRS was \$3,484,614 and for CERS was \$1,119,827.

The contribution requirement for CERS for the year ended June 30, 2013, was \$276,903 which consisted of \$218,926 from the District and \$57,977 from the employees. The Commonwealth contributed \$485,785 to KTRS for the benefit of participating employees. The District contributions to KTRS were \$88,587, which represents \$48,443 for those employees covered by federal programs, \$5,672 for critical shortage employees and \$34,472 for all KTRS employees.

The three-year trend information for the District's contribution requirement to KTRS AND CERS is as follows:

<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>
6/30/13	\$ 307,513	100%
6/30/12	298,114	100%
6/30/11	299,903	100%

KTRS and CERS do not make separate measurements of assets and pension benefit obligation for individual employers. The following table presents certain information regarding the plans' status as a whole, derived from actuarial valuations (all dollar amounts are \$1,000's) performed as of June 30, 2012, (the actuarial reports for the year ended June 30, 2013 are not yet available):

	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Underfunded AAL</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Underfunded Actuarial Liability as Percentage of Covered Payroll</u>
KTRS	\$ 14,691,371	\$ 26,973,854	\$ 12,282,483	54.5%	\$ 3,479,567	353.0%
CERS	7,294,615	12,149,560	4,854,945	60.0%	2,700,775	179.8%

HICKMAN COUNTY SCHOOL DISTRICT
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As the Board is only one of several employers participating in the plan, it is not practical to determine the Board's portion of the unfunded past service cost or the vested benefits of the Board's portion of the plan assets. The District also offers employees the option to participate in a defined contribution plan under Internal Revenue Code Sections 403(b) and 457. The District does not contribute to these plans.

Medical insurance plan

In addition to the pension benefits described above, Kentucky Revised Statute 161.675 requires KTRS to provide post-retirement healthcare benefits to eligible members and dependents. The KTRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly. KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the medical insurance plan. That report can be obtained by writing the Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601 or from the KTRS website at <http://ktrs.ky.gov/>.

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.

The post-retirement healthcare provided by KTRS is financed on a pay-as-you-go basis. In order to fund the post-retirement healthcare benefit, one and five tenths percent (1.5%) of the gross annual payroll of all active members is contributed. One-half (1/2) of this amount is derived from member contributions and one-half (1/2) from state appropriation. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

B. Leases

The District (lessor) entered into a lease on October 16, 2012, with the Hickman County Extension Board and Fiscal Court (lessee). The Hickman County Extension Board will occupy and make certain improvements to a building owned by the District. The estimated cost of these improvements is \$280,000.

The term of the lease is 40 years at an annual rental of \$1. If the District cancels the lease prior to its expiration date of September 21, 2027, it will owe the Hickman County Extension Board a pro rata share of the cost of improvements over the remaining lease term at the date of cancellation.

C. Contingencies and Commitments

The District receives funding from Federal, State and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based on the grantor's review the funds are considered not to have been used for the intended purpose, the grantors may request a refund of cash advances, or refuse to reimburse the

HICKMAN COUNTY SCHOOL DISTRICT
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June 30, 2013

District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

The District has been notified by the Kentucky School Board Insurance Trust of a potential liability for workers compensation losses incurred by the Trust. The Trust estimates the District's liability to be between \$59,895 and \$75,585. As of June 30, 2013 the District had not received an indication of a final assessment or a process for payment of the potential liability.

D. Insurance and Related Activities

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

E. Litigation

The Board's legal counsel has advised that the District is not subject to any litigation or unasserted claims as of June 30, 2013.

F. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance Fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled

HICKMAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

G. COBRA

All terminated employees have been notified of available continuing insurance coverage as mandated under COBRA.

REQUIRED SUPPLEMENTARY INFORMATION

HICKMAN COUNTY SCHOOL DISTRICT
STATEMENT OF BUDGETARY COMPARISON - GENERAL FUND
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
From local sources				
Taxes				
Property	\$ 1,007,000	\$ 1,047,000	\$ 1,329,977	\$ 282,977
Motor vehicle	140,000	150,000	166,846	16,846
Utilities	290,000	300,000	314,968	14,968
Other	250,000	255,000	261,805	6,805
Earnings on investments	5,000	5,000	2,587	(2,413)
Other local revenues	13,000	18,000	32,531	14,531
Intergovernmental - State	2,966,500	3,044,500	3,057,128	12,628
Intergovernmental - Indirect Federal	13,000	16,000	23,530	7,530
Total revenues	<u>4,684,500</u>	<u>4,835,500</u>	<u>5,189,372</u>	<u>353,872</u>
Expenditures				
Current				
Instruction	2,896,628	2,862,402	2,828,185	34,217
Support Services				
Student	286,309	288,373	288,767	(394)
Instructional staff	188,690	189,811	183,806	6,005
District administration	346,214	375,114	411,112	(35,998)
School administration	284,188	302,907	310,632	(7,725)
Business	214,400	214,595	213,132	1,463
Plant operations and management	886,379	834,730	712,307	122,423
Student transportation	462,332	433,821	343,393	90,428
Non-instructional services	3,225	725	60	665
Contingency	161,635	150,726	-	150,726
Total expenditures	<u>5,730,000</u>	<u>5,653,204</u>	<u>5,291,394</u>	<u>361,810</u>
Excess (deficit) of revenues over expenditures	<u>(1,045,500)</u>	<u>(817,704)</u>	<u>(102,022)</u>	<u>715,682</u>
Other Financing Sources (Uses)				
Compensation for loss of assets	-	-	18,457	18,457
Transfers in	80,500	80,500	80,500	-
Transfers out	(15,000)	(25,000)	(40,799)	(15,799)
Total other financing sources (uses)	<u>65,500</u>	<u>55,500</u>	<u>58,158</u>	<u>2,658</u>
Net change in fund balances	(980,000)	(762,204)	(43,864)	718,340
Fund balances, beginning of year	980,000	762,204	795,204	33,000
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 751,340</u>	<u>\$ 751,340</u>
Explanation of Differences Between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures				
Inflows/revenues:				
Actual amounts (budgetary basis)			\$ 5,189,372	
Differences - budget to GAAP:				
On-behalf payments recorded under GAAP basis not included in budget amounts				1,399,950
Total revenues as reported on statement of revenues, expenditures and changes in fund balances - governmental funds				\$ 6,589,322
Outflows/expenditures:				
Actual amounts (budgetary basis)			\$ 5,291,394	
Differences - budget to GAAP:				
On-behalf payments recorded under GAAP basis not included in budget amounts				1,399,950
Total expenditures as reported on statement of revenues, expenditures and changes in fund balances - governmental funds				\$ 6,691,344

See independent auditor's report.

HICKMAN COUNTY SCHOOL DISTRICT
STATEMENT OF BUDGETARY COMPARISON - SPECIAL REVENUE FUND
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
From local sources				
Other local revenue	\$ 6,002	\$ 6,002	\$ 132,371	\$ 126,369
Intergovernmental - State	333,226	391,898	398,088	6,190
Intergovernmental - Indirect Federal	<u>543,704</u>	<u>563,340</u>	<u>739,012</u>	<u>175,672</u>
Total revenues	<u>882,932</u>	<u>961,240</u>	<u>1,269,471</u>	<u>308,231</u>
Expenditures				
Current				
Instruction	676,170	753,738	1,040,554	(286,816)
Support Services				
Instructional staff	28,509	26,379	24,872	1,507
Student transportation	8,100	17,781	43,114	(25,333)
Non-instructional services	<u>104,653</u>	<u>107,842</u>	<u>109,264</u>	<u>(1,422)</u>
Total expenditures	<u>817,432</u>	<u>905,740</u>	<u>1,217,804</u>	<u>(312,064)</u>
Excess (deficit) of revenues over expenditures	<u>65,500</u>	<u>55,500</u>	<u>51,667</u>	<u>(3,833)</u>
Other Financing Sources (Uses)				
Transfers in	15,000	25,000	28,833	3,833
Transfers out	<u>(80,500)</u>	<u>(80,500)</u>	<u>(80,500)</u>	<u>-</u>
Total other financing sources (uses)	<u>(65,500)</u>	<u>(55,500)</u>	<u>(51,667)</u>	<u>3,833</u>
Net change in fund balances	-	-	-	-
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditor's report.

OTHER SUPPLEMENTARY INFORMATION

**HICKMAN COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**
June 30, 2013

	<u>Capital Outlay Fund</u>	<u>Building Fund</u>	<u>Construction Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 7,420	\$ -	\$ -	\$ 7,420
Total assets	<u>\$ 7,420</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,420</u>
Liabilities and Fund Balances				
Fund Balances				
Restricted	7,420	-	-	7,420
Total fund balances	<u>7,420</u>	<u>-</u>	<u>-</u>	<u>7,420</u>
Total liabilities and fund balances	<u>\$ 7,420</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,420</u>

See independent auditor's report.

HICKMAN COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013

	Capital Outlay Fund	Building Fund	Construction Fund	Total Nonmajor Governmental Funds
Revenues				
From local sources				
Taxes				
Property	\$ -	\$ 124,754	\$ -	\$ 124,754
Motor vehicle	-	17,343	-	17,343
Intergovernmental - State	<u>67,724</u>	<u>103,405</u>	-	<u>171,129</u>
Total revenues	<u>67,724</u>	<u>245,502</u>	-	<u>313,226</u>
Expenditures				
Facilities acquisition and construction	-	-	<u>476,155</u>	<u>476,155</u>
Total expenditures	-	-	<u>476,155</u>	<u>476,155</u>
Excess (deficit) of revenues over expenditures	<u>67,724</u>	<u>245,502</u>	<u>(476,155)</u>	<u>(162,929)</u>
Other Financing Sources (Uses)				
Transfers in	-	-	485,694	485,694
Transfers out	<u>(82,899)</u>	<u>(245,502)</u>	-	<u>(328,401)</u>
Total other financing sources (uses)	<u>(82,899)</u>	<u>(245,502)</u>	<u>485,694</u>	<u>157,293</u>
Net Change in fund balances	(15,175)	-	9,539	(5,636)
Fund balances, beginning of year	<u>22,595</u>	-	<u>(9,539)</u>	<u>13,056</u>
Fund balances, end of year	<u>\$ 7,420</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,420</u>

See independent auditor's report.

**HICKMAN COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES AND EXPENDITURES
AGENCY FUNDS**

For the Year Ended June 30, 2013

<u>Fund</u>	<u>July 1, 2012</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>June 30, 2013</u>
Activity Funds				
Hickman County High School:				
Athletic	\$ 5,613	\$ 36,634	\$ 36,714	\$ 5,533
Art	1,450	670	-	2,120
Music	219	946	1,008	157
Beta Club - High School	1,307	4,645	5,180	772
Science Club - High School	1,858	7,012	8,866	4
Drama Club	1,381	1,013	1,108	1,286
FBLA	1,538	12,810	12,589	1,759
FFA	3,275	22,796	25,530	541
FCCLA	4	5,530	5,529	5
General	1,832	22,773	24,350	255
Spanish Club	89	-	25	64
H-Club	5	879	838	46
FCS	71	1,080	1,150	1
Beta Club - Junior High	1,272	1,326	2,309	289
Junior Class	944	7,008	7,587	365
Student Council - High School	11	1,000	630	381
Textbook	250	1,844	2,000	94
Academic Club - High School	59	150	79	130
Academic Club - Junior High	154	182	212	124
Project Graduation	1,938	39,416	39,810	1,544
Journalism	2,315	27,582	26,049	3,848
Cheerleaders - High School	3,005	40,602	35,988	7,619
FCA	482	433	597	318
Library	244	95	143	196
Community Education	1,900	2,597	3,515	982
Scholarship - HCHS Outstanding	-	2,500	2,500	-
Flower Fund	69	65	63	71
History Club	3	-	-	3
Science Club - Junior High	15	2,690	2,513	192
FEA	825	1,159	1,311	673
National Scholastic Sportsman	36	570	570	36
FFA - Greenhouse	1,882	441	1,051	1,272
Baseball	2,271	12,552	13,767	1,056
Softball	2,680	15,072	14,499	3,253
Volleyball	118	11,339	10,960	497
Pep Club	267	260	-	527
Flight	105	505	225	385
Military Club	-	789	742	47
HCHS Alumni Scholarship	500	4,327	4,557	270
Green Team	23	-	-	23
Test Assistance Shiloh	148	-	-	148

See independent auditor's report.

**HICKMAN COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES AND EXPENDITURES
AGENCY FUNDS**

For the Year Ended June 30, 2013

<u>Fund</u>	<u>July 1, 2012</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>June 30, 2013</u>
Four Rivers Scholarship	\$ 517	\$ -	\$ 45	\$ 472
Kapps	66	3,036	3,096	6
Hickman Co. Retired Scholarship	-	650	650	-
Boys Varsity Basketball	150	13,926	13,939	137
High School GV Basketball	-	625	622	3
Middle School Boys Basketball	-	3,122	2,959	163
Middle School Girls Basketball	-	3,411	3,401	10
Retirement Reception	-	200	196	4
	<u>40,891</u>	<u>316,262</u>	<u>319,472</u>	<u>37,681</u>
Less: inter-fund transfers	<u>-</u>	<u>12,831</u>	<u>12,831</u>	<u>-</u>
Total Hickman County High School	40,891	303,431	306,641	37,681
Hickman County Elementary School	<u>13,362</u>	<u>41,659</u>	<u>39,281</u>	<u>15,740</u>
Total activity funds	<u>54,253</u>	<u>345,090</u>	<u>345,922</u>	<u>53,421</u>
Early Childhood Council	<u>-</u>	<u>19,520</u>	<u>15,997</u>	<u>3,523</u>
Total agency funds	<u>\$ 54,253</u>	<u>\$ 364,610</u>	<u>\$ 361,919</u>	<u>\$ 56,944</u>

See independent auditor's report.

HICKMAN COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013

Federal Grantor/ Pass-Through Grantor/CFDA Program Title	Federal CFDA Number	MUNIS Account Number	Program or Award Amount	Expenditures
U.S. Department of Education				
Passed Through State Department of Education				
Title I Cluster:				
Title I Grants to Local Educational Agencies	84.010	220-4500-3103	\$ 213,790	\$ 205,113
Title I Grants to Local Educational Agencies	84.010	220-4500-3102	197,461	5,427
Title I Grants to Local Educational Agencies	84.010	220-4500-3102D	21,940	153
Total Title I Cluster			<u>433,191</u>	<u>210,693</u>
Special Education Cluster:				
Special Education_Grants to States	84.027	220-4500-3373	172,038	147,991
Special Education_Grants to States	84.027	220-4500-3372	173,292	21,785
		Sub-total	<u>345,330</u>	<u>169,776</u>
Special Education_Preschool Grants	84.173	220-4500-3433	19,037	17,474
Special Education_Preschool Grants	84.173	220-4500-3432	19,077	(120)
		Sub-total	<u>38,114</u>	<u>17,354</u>
Total Special Education Cluster			<u>383,444</u>	<u>187,130</u>
Career and Technical Education Basic Grants to States	84.048	220-4700-3481A	381	4
Career and Technical Education Basic Grants to States	84.048	220-4700-3483	7,333	7,333
			<u>7,714</u>	<u>7,337</u>
Twenty-First Century (Flight)	84.287	220-4500-5501	150,000	61,740
Twenty-First Century (Supplemental Funds)	84.287	220-4500-5501J	6,000	4,783
Twenty-First Century (Flight)	84.287	220-4500-5502	150,000	118,178
			<u>306,000</u>	<u>184,701</u>
Rural and Low Income Education	84.358B	220-4500-3503	14,346	14,346
Improving Teacher Quality State Grants	84.367	220-4500-4013	47,517	44,441
Improving Teacher Quality State Grants	84.367	220-4500-4012	47,878	4,313
			<u>95,395</u>	<u>48,754</u>
Education Jobs Fund, Recovery Act	84.394	220-4500-4411	179,532	1,307
Race To The Top	84.413	220-4500-4521	8,847	4,244
Total U.S. Department of Education			<u>1,428,469</u>	<u>658,512</u>
U.S. Department of Agriculture				
Passed Through State Department of Education				
Child Nutrition Cluster:				
School Breakfast Program	10.553	510-4500	97,230	113,772
National School Lunch Program - Donated Commodities	10.555	510-4950	40,450	33,788
National School Lunch Program	10.555	510-4500	213,485	249,008
Total U.S. Department of Agriculture			<u>351,165</u>	<u>396,568</u>
U.S. Department of Health and Human Resources				
Passed Through Murray Board of Education				
Head Start	93.600	220-4700-6553	80,500	80,500
Total U.S. Department of Health and Human Resources			<u>80,500</u>	<u>80,500</u>
Total federal awards			<u>\$ 1,860,134</u>	<u>\$ 1,135,580</u>
Reconciliation of Expenditures of Federal Awards to Special Revenue Total Expenditures				
Total expenditures of federal awards				\$ 1,135,580
Total expenditures of state and local awards				478,792
Expenditure of federal awards in the food service fund				<u>(396,568)</u>
Total expenditures as reported in the special revenue fund on the statement of revenues, expenditures and changes in fund balance - governmental funds				<u>\$ 1,217,804</u>

*See independent auditor's report.
The accompanying notes are an integral part of this schedule.*

HICKMAN COUNTY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Hickman County School District under programs of the federal government for the year ended June 30, 2013. 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. Because the Schedule presents only a selected portion of the operations of Hickman County School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Hickman County School District.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

NOTE 3 - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed.

INTERNAL CONTROL AND COMPLIANCE SECTION

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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 Hickman County Board of Education
Clinton, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hickman County School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Hickman County School District's basic financial statements and have issued our report thereon dated September 16, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Alexander Thompson Arnold PLLC

Union City, Tennessee
September 16, 2013

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Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Independent Auditor's Report

Kentucky State Committee for School District Audits
Members of the Hickman County Board of Education
Clinton, Kentucky

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Hickman County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hickman County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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.

Alexander Thompson Arnold PLLC

Union City, Tennessee
September 16, 2013

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

HICKMAN COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 June 30, 2013

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	<u>unqualified</u>		
Internal control over financial reporting:			
Material weakness(es) identified?	<u> </u> yes	<u> x </u> no	
Significant deficiency(ies) identified?	<u> </u> yes	<u> x </u> none reported	
Noncompliance material to financial statements noted?	<u> </u> yes	<u> x </u> no	

Federal Awards

Internal control over major programs:			
Material weakness(es) identified?	<u> </u> yes	<u> x </u> no	
Significant deficiency(ies) identified?	<u> </u> yes	<u> x </u> none reported	
Type of auditor's report issued on compliance for major programs:	<u>unqualified</u>		
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	<u> </u> yes	<u> x </u> no	
Identification of major programs:	<u>Child Nutrition Cluster (CFDA # 10.553 and 10.555)</u>		
Dollar threshold used to distinguish between type A and type B programs:	<u>\$300,000</u>		
Auditee qualified as low-risk auditee?	<u> x </u> yes	<u> </u> no	

FINANCIAL STATEMENT FINDINGS

None reported

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported

MANAGEMENT LETTER POINTS

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September 16, 2013

Kenny Wilson, Superintendent
Hickman County Board of Education
Clinton, Kentucky

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

During our audit we did not become aware of any matters, other than inconsequential matters, that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter reflects that result. This letter does not affect our report dated September 16, 2013, on the financial statements of Hickman County School District.

Alexander Thompson Arnold, PLLC

Union City, Tennessee
September 16, 2013

**HICKMAN COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS**
June 30, 2013

MANAGEMENT LETTER POINTS

None

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

HICKMAN COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2013

FINANCIAL STATEMENT FINDINGS

None reported

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported

MANAGEMENT LETTER POINTS

None