METCALFE COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

For the Year ended June 30, 2013

TABLE OF CONTENTS

	Page(s)
INDEPENDENT AUDITORS' REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-7
BASIC FINANCIAL STATEMENTS:	
DISTRICT-WIDE FINANCIAL STATEMENTS	
Statement of Net Position	8
Statement of Activities	9
FUND FINANCIAL STATEMENTS	
Balance Sheet - Governmental Funds	10
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	11
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Statement of Net Position - Proprietary Funds	14
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	15
Statement of Cash Flows - Proprietary Funds	16
Statement of Fiduciary Net Position - Fiduciary Funds	17
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	18
NOTES TO BASIC FINANCIAL STATEMENTS	19-32
REQUIRED SUPPLEMENTARY INFORMATION:	
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	33
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Special Revenue Fund	34

TABLE OF CONTENTS (C0NTINUED)

	Page(s)
OTHER SUPPLEMENTARY INFORMATION:	
Combining Balance Sheet - Non-Major Governmental Funds	35
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-Major Governmental Funds	36
Combining Statement of Revenues, Expenditures, and Fund Balances - Activity Funds	37
Schedule of Receipts, Disbursements and Fund Balance - High School Activity Fund	38-39
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	40-41
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	42
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	43
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS	44
INDEPENDENT AUDITORS' 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*	45-46
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133	47-48
MANAGEMENT LETTER COMMENTS	49-51

WISE, BUCKNER, SPROWLES
& ASSOCIATES, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

GREGORY S. WISE, CPA
SHIRLEY M. BUCKNER, CPA
JEFFREY G. SPROWLES, CPA

INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits
Members of the Board of Education
Metcalfe County School District
Edmonton, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Metcalfe County School District (the "District") as of and for the year then 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 misstatements, whether due to fraud of error.

Auditor's Responsibility

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

301 E. MAIN STREET • P.O. BOX 1083 • CAMPBELLSVILLE, KY 42719-1083 • (270) 465-6842 • FAX (270) 465-7703
E-Mail: wbscpa@wbscpas.com • www.wbscpas.com

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 3 through 7 and 33 through 34 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 conducting for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The additional information shown on Pages 35 through 39 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and Notes to Schedule of Expenditures of Federal Awards on Pages 40 through 42 are 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 are also not a required part of the basic financial statements of the District.

The additional information shown on pages 34 through 38 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information shown on pages 35 through 39 and the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2013, on our consideration of the Metcalfe 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 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 Metcalfe County School Districts internal control over financial reporting

Wise, Buckner, Sprowles & Associates PLLC

Wise, Buckner, Sprowles & Associates PLLC
Certified Public Accountants

Campbellsville, KY
October 28, 2013

METCALFE COUNTY SCHOOL DISTRICT
EDMONTON, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED June 30, 2013

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

FINANCIAL HIGHLIGHTS

The beginning unassigned general fund balance for the district was $4,091,688.

Excluding inter-fund transfers, the General Fund had $12,452,172 in receipts, which consisted primarily of the state program (SEEK), property, local occupational license taxes, utilities, and motor vehicle taxes. Excluding inter-fund transfers, there was $13,428,300 in General Fund expenditures.

The District's outstanding debt, excluding KISTA, is $24,632,000 at the end of fiscal year 2013. The increase in outstanding debt is due to the new primary school construction n project.

The majority of General Fund revenues were derived from state sources, 77% and local taxes, 22%. Regular instruction, student support services staff support services, district and school administration account for 75% of the District expenditures. Central support service expenditures were pupil transportation 9%, maintenance and operations 11%, and business functions 4%.

The District's unrestricted operating fund (General Fund) had $9,824,682 in revenues, excluding on-behalf payments and transfers, which consisted mainly of Ad Valorem taxes, State SEEK, and Utility tax receipts. Ad Valorem was 17%, state SEEK was 70%, and utility tax receipts was 6%.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 10 and 12 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18-32 of this report.

DISTRICT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a District's financial position. In the case of the District, assets exceeded liabilities by $10,840,334 as of June 30, 2013. This reflects an increase in net assets of $144,482 from June 30, 2012.

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

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

Net Position for the period ending June 30, 2013 as compared to June 30, 2012

	June 30, 2013	June 30, 2012
Assets		
Current Assets	$ 6,822,817	$ 17,300,105
Capital Assets	30,409,369	20,941,350
Total Assets	37,232,186	38,241,455
Liabilities		
Current Liabilities	2,226,858	3,213,943
Non-current Liabilities	24,164,069	24,331,660
Total Liabilities	26,390,927	27,545,603
Net Position		
Investment in Capital Assets (net of debt)	5,654,809	(4,446,239)
Restricted	1,943,433	9,881,840
Unrestricted	3,243,017	5,260,251
Total Net Position	10,841,259	10,695,852
Total Liabilities and Net Position	$ 37,232,186	$ 38,241,455

Changes in Net Position for the period ending June 30, 2013 as compared to June 30, 2012
(In Millions)

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2012	2013	2012	2013	2012	2013	2012-2013
Revenues:							
Charges for Services	0.09	0.00	0.24	0.16	0.33	0.16	-53%
Operating Grants and Contributions	3.44	3.02	0.81	0.84	4.25	3.86	-9%
Capital Grants and Contributions	0.80	0.76			0.80	0.76	-4%
General & Special Revenues	14.34	13.86	0.10	0.15	14.44	14.01	-3%
Total Revenue	18.66	17.65	1.16	1.15	19.82	18.80	-5%
Expenses:							
Instructional	9.79	9.59			9.79	9.59	-2%
Student Support Services	1.35	0.75			1.35	0.75	-44%
Staff Support Services	0.61	0.59			0.61	0.59	-3%
District Support Services	0.63	0.59			0.63	0.59	-6%
School Administration	1.04	1.08			1.04	1.08	3%
Business Support Services	0.52	0.60			0.52	0.60	15%
Plant Operations & Maintenance	1.38	1.71			1.38	1.71	24%
Student Transportation	1.04	1.23			1.04	1.23	18%
Adult Education Operation	0.01	0.00			0.01	0.00	-100%
Community Service Operations	0.18	0.16			0.18	0.16	-6%
Facilities Acquisition & Construction	0.49	0.01			0.49	0.01	-98%
Interest on Long-term Debt	1.15	1.15			1.15	1.15	-1%
Other Financing Fees	0.08	0.00			0.08	0.00	-100%
Food Service Operations	0.00	0.00	1.23	1.20	0.00	1.20	100%
Total Expenses	18.28	17.45	1.23	1.20	19.51	18.65	-4%
Change in Net Position	0.38	0.19	-0.07	-0.05	0.31	0.15	-52%

Comments on Budget Comparisons

- Excluding on-behalf payments of $2,627,490, the General Fund budget compared to actual revenue varied slightly from line item to line item with ending actual balance being $393,372 more than budgeted due in large part to a generally conservative budgeting approach.

- Actual General Fund expenditures, net of on-behalf payments of $2,627,490 compared to budget expenditures, net of contingency allotments, was $1,956,323 less than budget due to administration's careful monitoring of expenditures.

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

	General Fund	Special Revenue	Construction Fund	Other Governmental Funds	Food Service
REVENUES					
Local sources	$ 2,849,948	$ 217	$ 10,942	$ 399,088	$ 157,553
State sources	9,562,463	680,157	-	1,216,794	128,634
Federal sources	25,541	2,318,272	-	680,879	837,979
Other sources	14,220	27,468	32,800	-	-
Total Revenues	12,452,172	3,026,114	43,742	2,296,761	1,124,166
EXPENDITURES					
Instruction	7,138,289	2,706,512	-	-	-
Student support	700,821	173,284	-	-	-
Inst. Support	569,889	4,520	-	-	-
District Admin	604,790	-	-	-	-
School Admin	1,088,674	-	-	-	-
Business support	598,520	-	-	-	-
Plant operations	1,521,834	72	-	(10,480)	-
Student transp	1,197,432	-	-	-	-
Non-instructional	-	-	-	-	-
Adult Education Operations	-	-	-	-	-
Comm service operations	-	162,468	-	-	-
Land/Site Acquisitions	7,666	-	9,270,228	-	-
Debt service	385	-	-	1,767,687	-
Building renovation	-	-	-	-	-
Food services	-	-	-	-	1,196,086
Total Expenditures	13,428,300	3,046,856	9,270,228	1,757,207	1,196,086
Excess (Deficiency) Before Transfers	(976,128)	(20,742)	(9,226,486)	539,554	(71,920)
Fund transfers	16,758	20,742	-	(60,838)	23,338
Revenues Over (Under) Expenditures	$ (959,370)	$ -	$ (9,226,486)	$ 478,716	$ (48,582)

FUTURE BUDGETARY IMPLICATIONS

In Kentucky, the public schools' fiscal year is July 1 – June 30; other programs, i.e. some federal programs operate on a different fiscal calendar, but are reflected in the District overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a budget for 2012-2013 with a 4% contingency. Significant Board action that impacts the finances includes an across-the-board pay increase of 1% for all employees.

Questions regarding this report should be directed to Dr. Benny Lile, Superintendent or Dwight Ross, Director of Finance at 270-432-3171 or by mail at 109 Sartin Drive, Edmonton, Kentucky 42129.

METCALFE COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Current Assets			
Cash & Cash Equivalents	$ 1,742,767	$ -	$ 1,742,767
Investments	4,217,631	-	4,217,631
Accounts Receivable			
Taxes - Current	17,047	-	17,047
Taxes - Delinquent	-	-	-
Accounts	7,888	-	7,888
Intergovernmental - State	49,359	-	49,359
Intergovernmental - Federal	369,997	76,785	446,782
Inventories for Consumption	-	24,766	24,766
Bond Issue Cost	316,577	-	316,577
TOTAL CURRENT ASSETS	6,721,266	101,551	6,822,817
Noncurrent Assets			
Land	1,383,567	-	1,383,567
Capital Assets net of Accumulated Depreciation	28,859,137	166,665	29,025,802
Total Noncurrent Assets	30,242,704	166,665	30,409,369
TOTAL ASSETS	36,963,970	268,216	37,232,186
LIABILITIES			
Checks Issued in Excess of Cash	649,387	72,924	722,311
Accounts Payable	371,550	3,861	375,411
Accrued Interest Payable	94,059	-	94,059
Other Accrued Liabilities	108,174	-	108,174
KISBIT Payable	148,918	-	148,918
Unearned Revenues	66,476	-	66,476
Noncurrent Liabilities:			
Due within one year	711,509	-	711,509
Due in more than one year	24,164,069	-	24,164,069
TOTAL LIABILITIES	26,314,142	76,785	26,390,927
NET POSITION			
Net Investment in Capital Assets	5,488,144	166,665	5,654,809
Restricted for			
Inventories	-	24,766	24,766
Capital Projects	638,964	-	638,964
Debt Service	1,279,703	-	1,279,703
Unrestricted	3,243,017	-	3,243,017
TOTAL NET POSITION	$ 10,649,828	$ 191,431	$ 10,841,259

See accompanying notes to financial statements.

METCALFE COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

FUNCTION/PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS AND CONTRIBUTIONS	NET(EXPENSE) REVENUE AND CHANGES IN NET ASSETS: GOVERNMENTAL ACTIVITIES	NET(EXPENSE) REVENUE AND CHANGES IN NET ASSETS: BUSINESS-TYPE ACTIVITIES	TOTAL
GOVERNMENTAL ACTIVITIES							
Instructional	$ 9,589,179	$ -	$ 2,684,070	$ -	$ (6,905,109)	$ -	$ (6,905,109)
Student Support Services	750,703	-	173,284	-	(577,419)	-	(577,419)
Staff Support Services	591,161	-	4,520	-	(586,641)	-	(586,641)
District Administration	590,886	-	-	-	(590,886)	-	(590,886)
School Administration	1,075,923	-	-	-	(1,075,923)	-	(1,075,923)
Business Support Services	602,538	-	-	-	(602,538)	-	(602,538)
Plant Operation & Maintenance	1,706,876	75	72	-	(1,706,729)	-	(1,706,729)
Student Transportation	1,227,557	-	-	-	(1,227,557)	-	(1,227,557)
Adult Education Operation	-	-	-	-	-	-	-
Community Service Operations	164,495	-	162,468	-	(2,027)	-	(2,027)
Facilities Acquisition & Construction	7,665	-	-	763,475	755,810	-	755,810
Interest on Long-Term Debt	1,146,567	-	-	-	(1,146,567)	-	(1,146,567)
Other Finance Fees	385	-	-	-	(385)	-	(385)
TOTAL GOVERNMENTAL ACTIVITIES	17,453,935	75	3,024,414	763,475	(13,665,971)	-	(13,665,971)
BUSINESS-TYPE ACTIVITIES:							
Food Service	1,196,086	155,380	837,979	-	-	(202,727)	(202,727)
TOTAL BUSINESS-TYPE ACTIVITIES	1,196,086	155,380	837,979	-	-	(202,727)	(202,727)
TOTAL SCHOOL DISTRICT	$ 18,650,021	$ 155,455	$ 3,862,393	$ 763,475	(13,665,971)	(202,727)	(13,868,698)
GENERAL REVENUES:							
Taxes					3,191,934	-	3,191,934
State Aid - Formula Grants					10,696,216	128,634	10,824,850
Investment Earnings					69,186	2,173	71,359
Miscellaneous					66,478	-	66,478
SPECIAL ITEMS:							
Gain(Loss) Sale of Assets					8,402	-	8,402
EXTRAORDINARY ITEM:							
KSBIT Insurance Expense					(148,918)		(148,918)
Transfers, net					(23,338)	23,338	-
TOTAL GENERAL & SPECIAL					13,859,960	154,145	14,014,105
CHANGE IN NET POSITION					193,989	(48,582)	145,407
NET POSITION - BEGINNING					10,455,839	240,013	10,695,852
NET POSITION - ENDING					$ 10,649,828	$ 191,431	$ 10,841,259

See accompanying notes to financial statements.

METCALFE COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	GENERAL FUND	SPECIAL REVENUE	CONSTRUCTION FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash & Cash Equivalents	$ -	$ -	$ 942,704	$ 800,063	$ 1,742,767
Investments	3,737,991	-	-	479,640	4,217,631
Accounts Receivable:					
Taxes - Current	17,047	-	-	-	17,047
Taxes - Delinquent	7,888	-	-	-	7,888
Accounts	49,058	301	-	-	49,359
Intergovernmental - State	-	32,042	-	-	32,042
Intergovernmental - Federal	5,011	332,944	-	-	337,955
TOTAL ASSETS	$ 3,816,995	$ 365,287	$ 942,704	$ 1,279,703	$ 6,404,689
LIABILITIES ANDFUND BALANCE					
Liabilities:					
Checks Issued in Excess of Cash	$ 360,991	$ 288,396	$ -	$ -	$ 649,387
Accounts Payable	57,395	10,415	303,740	-	371,550
Other Accrued Liabilities	108,173	-	-	-	108,173
Accrued Sick Leave	60,509	-	-	-	60,509
Deferred Revenues	-	66,476	-	-	66,476
Total Liabilities	587,068	365,287	303,740	-	1,256,095
Fund Balance					
Committed - Sick Leave Payable	60,510	-	-	-	60,510
Restricted - SFCC Escrow-Current	-	-	-	26,131	26,131
Restricted - Debt Service	-	-	-	479,640	479,640
Restricted - Future Construction Projects	-	-	170,106	773,932	944,038
Restricted - Other	-	-	468,858	-	468,858
Assigned -Purchase Obligations	19,766	-	-	-	19,766
Unassigned Fund Balance	3,149,651	-	-	-	3,149,651
Total Fund Balance	3,229,927	-	638,964	1,279,703	5,148,594
TOTAL LIABILITIES AND FUND BALANCE	$ 3,816,995	$ 365,287	$ 942,704	$ 1,279,703	$ 6,404,689

See accompanying notes to financial statements.

METCALFE COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

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

TOTAL GOVERNMENTAL FUND BALANCE		$ 5,148,594
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of Capital Assets	$ 40,578,666	
Accumulated Depreciation	(10,335,961)	30,242,705
Bond issuance cost are not financial resources and therefore are not reported as assets in governmental funds		316,577
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:		
Accrued Interest Payable	(94,059)	
Bonds Payable	(24,754,560)	
KSBIT Payable	(148,918)	
Accrued Sick Leave	(60,509)	(25,058,046)
Rounding differences		(2)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		$ 10,649,828

See accompanying notes to financial statements.

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

	GENERAL	SPECIAL FUND	CONSTRUCTION FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Taxes	$ 2,798,268	$ -	$ -	$ 393,666	$ 3,191,934
Earnings on Investments	51,680	217	10,942	6,347	69,186
Intergovernmental - State	9,562,463	680,157	-	1,216,794	11,459,414
Intergovernmental - Federal	25,541	2,318,272	-	680,878	3,024,691
Other Sources	6,285	27,468	32,800	10,480	77,033
TOTAL REVENUES	12,444,237	3,026,114	43,742	2,308,165	17,822,258
EXPENDITURES					
Instructional	7,138,289	2,706,512	-	-	9,844,801
Student Support Services	700,821	173,284	-	-	874,105
Staff Support Services	569,889	4,520	-	-	574,409
District Administration	604,790	-	-	-	604,790
School Administration	1,088,674	-	-	-	1,088,674
Business Support Services	598,520	-	-	-	598,520
Plant Operation & Maintenance	1,521,834	72	-	-	1,521,906
Student Transportation	1,197,432	-	-	-	1,197,432
Community Service Operations	-	162,468	-	-	162,468
Adult Education Operations	-	-	-	-	-
Land/Site Acquisitions	7,666	-	9,270,228	-	9,277,894
Debt Service					
Principal	-	-	-	633,030	633,030
Interest	-	-	-	1,134,657	1,134,657
Other	385	-	-	-	385
TOTAL EXPENDITURES	13,428,300	3,046,856	9,270,228	1,767,687	27,513,071
EXCESS(DEFICIT) REVENUES OVER EXPENDIURES	(984,063)	(20,742)	(9,226,486)	540,478	(9,690,813)
OTHER FINANCING SOURCES(USES)					
Proceeds from Bond Issue	-	-	-	-	-
Proceeds from Sale of Assets	7,935	-	-	-	7,935
Loss Compensation	-	-	-	-	-
Operating Transfers In	62,538	22,442	-	1,106,783	1,191,763
Operating Transfers Out	(45,780)	(1,700)	-	(1,167,621)	(1,215,101)
TOTAL OTHER FINANCING SOURCES	24,693	20,742	-	(60,838)	(15,403)
NET CHANGE IN FUND BALANCES	(959,370)	-	(9,226,486)	479,640	(9,706,216)
FUND BALANCES - BEGINNING	4,189,297	-	9,865,450	800,063	14,854,810
FUND BALANCES - ENDING	$ 3,229,927	$ -	$ 638,964	$ 1,279,703	$ 5,148,594

See accompanying notes to financial statements.

METCALFE COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVTIES
FOR THE YEAR ENDED JUNE 30, 2013

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

NET CHANGES - GOVERNMENTAL FUNDS		$ (9,706,216)
Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital assets exceeds depreciation expense for the year.		
Depreciation Expense	$ (759,175)	
Capital Outlays	10,197,294	
		9,438,119
Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarily, repayment of principal is an expenditure in the governmental funds but reduces the liabiltiy in the statement of net assets.		
Principal Paid	633,030	
Bond Proceeds	-	
		633,030
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.		
Accrued Interest Payable	6,268	
Accrued Sick Leave	(10,116)	
KSBIT Payable	(148,918)	
Amortization Bond Issuance Cost	(18,178)	
		(170,944)
In the statement of activities the net gain on the sale/disposal of assets is reported in whereas in the governmental funds the proceeds from the sale increases financial resources. Thus the change in net assets differs from change in fund balances by the cost of the asset sold.		
Sale of Asset net of Gain	-	
		-
CHANGES - NET POSITION GOVERNMENTAL FUNDS		$ 193,989

See accompanying notes to financial statements.

METCALFE COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	FOOD SERVICE
ASSETS	
Current Assets	
Cash & Cash Equivalents	$ -
Accounts Receivable	76,785
Inventories for Consumption	24,766
Total Current Assets	101,551
Noncurrent Assets	
Capital Assets net of Accumulated Depreciation	166,665
Total Noncurrent Assets	166,665
TOTAL ASSETS	$ 268,216
LIABILITIES	
Current Liabilities	
Checks Issued in Excess of Cash	$ 72,924
Accounts Payable	3,861
Total Current Liabilities	76,785
Net Position	
Net Investment in Capital Assets	166,665
Restricted:	
Nonexpendable- Inventory	24,766
Unrestricted	-
Total Net Position	191,431
TOTAL LIABILITIES AND NET POSITION	$ 268,216

See accompanying notes to financial statements.

METCALFE COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	ENTERPRISE FUNDS
	FOOD SERVICE
OPERATING REVENUES	
Lunchroom Sales	$ 155,380
TOTAL OPERATING REVENUES	155,380
OPERATING EXPENSES	
Salaries & Benefits	575,629
Contract Services	4,202
Materials & Supplies	601,095
Depreciation - Note F	15,160
Other Operating Expenses	-
TOTAL OPERATING EXPENSES	1,196,086
OPERATING INCOME(LOSS)	(1,040,706)
NONOPERATING REVENUES(EXPENSES)	
Federal Grants	780,332
State Grants	128,634
Donated Commodities	57,647
Interest Income	2,173
Miscellaneous Income	-
TOTAL NONOPERATING REVENUE	968,786
INCOME(LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(71,920)
TRANSFERS IN	23,338
CHANGE IN NET POSITION	(48,582)
TOTAL NET POSITION - BEGINNING	240,013
TOTAL NET POSITION - ENDING	$ 191,431

See accompanying notes to financial statements.

METCALFE COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received From	
Lunchroom sales	$ 155,380
Other activities	-
Cash paid to/for	
Employees	(456,944)
Supplies	(488,307)
Other activities	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(789,871)
CASH FLOWS FROM NON- CAPITAL FINANCING ACTIVITIES	
State Grants	9,950
Transfer In	23,338
Federal Grants	714,218
NET CASH PROVIDED (USED) BY NON- CAPITAL FINANCING ACTIVITIES	747,506
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchase of Assets	(45,058)
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	(45,058)
CASH FLOWS FROM INVESTING ACTIVITIES	
Receipt of interest income	2,173
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	2,173
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(85,250)
Balances, Beginning of Year	85,250
Balances, End of Year	$ 0
RECONCILIATION OF CHANGE IN NET INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating Income (Loss)	$ (1,040,706)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation	15,160
State On-Behalf Payments	118,683
Donated Commodities	57,647
Change in assets and liabilities	
(Increase) Decrease in Receivables	-
Increase (Decrease) in Checks Issued in Excess of Cash	72,924
Increase (Decrease) in Payables	(5,204)
(Increase) Decrease in Inventory	(8,375)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ (789,871)
SCHEDULE OF NON-CASH TRANSACTIONS	
On Behalf Payments from the State for Employee Benefits	$ 118,683
Donated Commodities Received from Federal Government	57,647

See accompanying notes to financial statements.

METCALFE COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

	PRIVATE PURPOSE TRUST FUND	AGENCY FUND
ASSETS		
Cash and Cash Equivalents	$ 3,611	$ 108,781
Accounts Receivable	-	499
TOTAL ASSETS	3,611	109,280
LIABILITIES		
Accounts Payable	2,400	1,539
Due to Student Groups	-	107,741
TOTAL LIABILITIES	2,400	109,280
NET POSITION HELD IN TRUST	$ 1,211	$ -

See accompanying notes to financial statements.

METCALFE COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	PRIVATE PURPOSE TRUST FUND
ADDITIONS	
Scholarship Funds Contributed	$ 3,189
DEDUCTIONS	
Benefits Paid	(2,400)
Changes in Net Assets	789
NET ASSETS - BEGINNING OF YEAR	422
NET ASSETS - END OF YEAR	$ 1,211

See accompanying notes to financial statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Metcalfe County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc. The District is not involved in budgeting or managing these organizations, is not responsible for any debt of the organizations, and has no influence over theoperation of the organizations.

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

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

Metcalfe County School District Finance Corporation – The Metcalfe County, Kentucky, Board of Education has established the Metcalfe 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) (the "Corporation") as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors.

Basis of Presentation

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

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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

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

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

The District has the following funds:

1. Governmental Fund Types

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

   B. The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on Pages 39 and 40. This is a major fund of the District.

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

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

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

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

   D. Debt Service Funds are used to account for the accumulation of resources for and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on generally obligation notes payable, as required by Kentucky law.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

II. Proprietary Fund Types (Enterprise Fund)

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

Operating revenues in the proprietary funds are the revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

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

A. The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. The funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.
B. The Private Purpose Trust Fund consists of teacher contributions and disbursements for student scholarships.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. District-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 us 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 60 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. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from non-exchange transactions must also be available before it can be recognized.

When both restricted and unrestricted resources are available, it is the District's policy to use restricted first, then unrestricted resources, as they are needed.

Unearned Revenue – 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 used during the year is reported in the statement of revenues, expenses, and changes in net assets as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported in inventory.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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 costs, such as depreciation, are not recognized in governmental funds.

Property Taxes

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

The property tax rates assessed for the year ended June 30, 2013, to finance the General Fund operations were $0.501 per $100 valuation for real property, $0.502 per $100 valuation for business personal property, and $0.566 per $100 valuation for motor vehicles. An assessment of $0.122 per $100 for real and tangible property is included and is restricted for allocation to the Building Fund

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

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.

Board policy has set the capitalization threshold for reporting capital assets at $5,000. 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	Governmental Activities Estimated Lives
Buildings	50 years
Building Improvements	25 years
Technology Improvements	5 years
School Buses	10 years
Vehicles	5 years
Food Service Equipment	12 years
Audio-Visual Equipment	15 years
Other General Equipment	10 years

Inter-fund Balances

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Budgetary Process

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

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

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

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

On-behalf payments were not considered in the budget.

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

Cash and Cash Equivalents

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

Investments

The District's investments consist of certificates of deposit which are recorded at cost.

Inventories

The only inventory maintained by the District consists of expendable supplies held for consumption and is accounted for in the Enterprise Fund. Inventory consists of donated and purchased food held for resale and is expensed when used. Purchased food is valued at cost and the U.S. Government donated commodities value is determined by the U.S. Department of Agriculture.

Accrued Liabilities and Long-Term Obligations

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

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

Fund Balance Reserves

Beginning with fiscal year 2010, the District implemented GASB Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

- Non-spendable fund balance-amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;

- Restricted fund balances-amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation;

- Committed fund balance-amounts constrained to specific purposes by the District itself, using its decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the District takes the action to remove or change the constraint;

- Assigned fund balance-amounts the District intends to use for specific purpose (such as encumbrances); intent can be expressed by the District or by an official or body to which the District delegates the authority;

- Unassigned fund balances-amounts that are available for any purpose; positive amounts are reported only in the General Fund

When expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District's board has provided otherwise in its commitment or assignment actions.

Net Position

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

Operating Revenues and Expenses

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

Inter-fund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Board's policy is to apply restricted net assets first.

NOTE B – ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities,

NOTE B – ESTIMATES – (CONTINUED)

fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE C – CASH AND CASH EQUIVALENTS

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to it. At year-end, the carrying amount of the District's total cash and cash equivalents was $1,132,848. Of the total cash balance, $500,000 was covered by Federal Depository Insurance, $632,848 was covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with maturity of 90 days or less.

Cash and cash equivalents at June 30, 2013, consisted of the following:

	Bank Balance	Book Balance
Edmonton State Bank	$ 838,603	$ 308,659
Branch Banking & Trust	824,189	824,189
		$ 1,132,848

Breakdown per financial statements:

Governmental Funds	$ 1,093,380
Proprietary Funds	(72,924)
Fiduciary Funds	112,392
	$ 1,132,848

NOTE D – INVESTMENTS

As of June 30, 2013, the District had the following investments and maturities:

	Fair Value	Average Credit Quality/ Ratings (1)	Maturities Less Than 1 Year
Certificates of Deposits	$ 3,737,991	Not Rated	$ 3,737,991
Federal Home Loan Loan Bank Note	479,640		479,640
Total Investments	$ 4,217,631		$ 4,217,631

(1) Ratings are provided where applicable to indicate associated *Credit Risk,* N/A indicates not applicable. Ratings are from Moody's Investors Service.
The District had no investments reported at amortized cost.

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the District's investing activities are under the custody of the District Finance Director. Investing policies comply with State Statutes. Kentucky Revised Statute 66.480 defines the following items as permissible investments:

- Obligations of the United States and of its agencies and instrumentalities;
- Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency;

NOTE D – INVESTMENTS (CONTINUED)

- Obligations of any corporation of the United States Government;
- Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations, including surety bonds, permitted by KRS 41.204(4)
- Uncollateralized certificates of deposit issued by any bank or savings and loan institution rated in one (1) of the three (3) highest categories by a nationally recognized rating agency;
- Bankers' acceptances for banks rated in one (1) of the three (3) highest categories by a nationally recognized rating agency;
- Commercial paper rated in the highest category by a nationally recognized rating agency;
- Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities;
- Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States, and rated in one (1) of the three (3) highest categories by a nationally recognized rating agency; and
- Shares of mutual funds, each of which shall have the following characteristics:
  1. The mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended;
  2. The management company of the investment company shall have been in operation for at least five (5) years; and
  3. All of the securities in the mutual fund shall be eligible investments pursuant to this section.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the District's $4,217,631 in investments at June 30, 2013, $479,640 of the underlying securities are held by the investment counterparty's trust department, not in the name of the District.

NOTE E – CAPITAL ASSETS

	BEGINNING BALANCE	ADDITIONS	RETIREMENTS	ENDING BALANCE
GOVERNMENTAL ACTIVITIES				
Land	$ 215,406	$ -	$ -	$ 215,406
Land Improvements	1,168,161	-	-	1,168,161
Building & Building Improvements	10,288,690	-	-	10,288,690
Technology Equipment	2,558,901	737,526	(135,562)	3,160,865
Vehicles	2,249,334	154,280	(347,468)	2,056,146
General Equipment	630,451	35,259	-	665,710
Construction in Progress	13,753,458	9,270,229	-	23,023,687
TOTAL AT HISTORICAL COST	30,864,401	10,197,294	(483,030)	40,578,665
LESS ACCUMULATED DEPRECIATION FOR				
Land Improvements	1,014,416	24,055	-	1,038,471
Building & Building Improvements	5,031,057	191,432	-	5,222,489
Technology Equipment	2,105,820	321,412	(135,562)	2,291,670
Vehicles	1,452,425	193,491	(347,468)	1,298,448
General Equipment	456,099	28,784	-	484,883
TOTAL ACCUMULATED DEPRECIATION	10,059,817	759,174	(483,030)	10,335,961
GOVERNMENTAL ACTIVITES CAPITAL, NET	$ 20,804,584	$ 9,438,120	$ -	$ 30,242,704

NOTE E – CAPITAL ASSETS – (CONTINUED)

	BEGINNING BALANCE	ADDITIONS	RETIREMENTS	ENDING BALANCE
PROPRIETARY ACTIVITIES				
Building & Building Improvements	$ 175,489	$ -	$ -	$ 175,489
Technology Equipment	35,471	1,707	-	37,178
General Equipment	311,539	43,351	-	354,890
TOTAL AT HISTORICAL COST	522,499	45,058	-	567,557
LESS ACCUMULATED DEPRECIATION FOR				
Building & Building Improvements	76,779	3,492	-	80,271
Technology Equipment	13,390	6,321	-	19,711
General Equipment	295,564	5,346	-	300,910
TOTAL ACCUMULATED DEPRECIATION	385,733	15,159	-	400,892
GOVERNMENTAL ACTIVITES CAPITAL, NET	$ 136,766	$ 29,899	$ -	$ 166,665

DEPRECIATION EXPENSE CHARGED TO GOVERNMENTAL FUNCTIONS AS FOLLOWS

Plant Operation & Maintenance	$ 230,709
Instructional	227,045
Student Transportation	184,405
Student Support Services	63,941
District Administration	22,538
Staff Support Services	16,752
School Administration	7,739
Business Support Services	4,018
Community Service Operations	2,027
TOTAL	$ 759,174

NOTE F – GENERAL LONG – TERM DEBT

Bonds Payable

The amount shown in the accompanying government-wide financial statements as bond principal outstanding represents the District's future obligations to make payments relating to the bonds issued by the Metcalfe County School District Finance Corporation.

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

2010 Series	$ 12,735,000	0.70%-5.50%
2003 Series	$ 665,000	1.75%-4.40%
2003 Series B	$ 2,690,000	2.00%-3.50%
2010 Series	$ 12,735,000	0.70%-5.50%
2011 Series	$ 11,153,000	4.65%

NOTE F – GENERAL LONG – TERM DEBT – (CONTINUED)

The District, through the General Fund (including utility taxes and the SEEK Capital Outlay Fund) is obligated to make bond payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Metcalfe County School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding. The school facilities are pledged as security for the related bonds and the District is required to maintain adequate property insurance on the facilities.

The District has "participation agreements" with the Kentucky School Facility Construction Commission (the Commission). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statement.

The 2010 Bond was issued under the Build America Bonds Program under the America Recovery and Investment Act of 2009. Provisions under the Build America Bonds Program allow for the District to receive a "direct pay" from the federal government of 35% of the interest obligation for the District.

The Series 2011Bond was issued under the Qualified School Construction Bond under the America Recovery and Reinvestment Act of 2009 and the Hiring Incentive to Restore Employment Act of 2010. Provisions under the Qualified School Construction Bond program allow for a "direct pay" from the federal government of 100% of the interest obligation for the District.

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 maturity, the minimum obligations of the District, including amounts to be paid by the Commission at June 30, 2012, for debt service (principal and interest) are as follows:

Year Ending	Metcalf County School District		Kentucky School Facility Construction Commission		Federal	Total Debt
June 30,	Principal	Interest	Principal	Interest	Interest	Service
2013-14	$ 485,394	$ 284,021	$ 147,606	$ 113,243	$ 711,234	$ 1,741,498
2014-15	504,186	265,349	136,814	109,282	709,132	1,724,763
2015-16	512,125	257,984	132,875	105,614	704,812	1,713,410
2016-17	520,700	248,938	129,300	101,895	699,361	1,700,194
2017-18	533,160	239,168	121,842	97,895	693,107	1,685,172
2019-23	2,855,597	1,002,027	679,403	413,028	3,335,337	8,285,392
2024-28	3,251,554	583,652	768,446	242,691	3,037,490	7,883,833
2029-33	9,467,218	104,305	4,385,780	40,932	1,374,631	15,372,866
	$ 18,129,934	$ 2,985,444	$ 6,502,066	$ 1,224,580	$11,265,104	$ 40,107,128

Loans Payable

The District entered into loans from the Kentucky Inter-local School Transportation Association (KISTA) during the 2000 fiscal year for the purpose of making various capital improvements to the District's school facilities. Interest is payable semiannually on June 1 and December 1 at rates noted as follows:

Issue Date	Proceeds	Rates
July 1999	$ 173,000	3.90% - 5.30%
August 1999	$ 128,000	4.60% - 5.60%

NOTE F – GENERAL LONG – TERM DEBT – (CONTINUED)

Principal on the first loan is due annually on December 1. Principal on the second loan will be payable annually on June 1. The Commission has expressed the intention to make 100% of the principal and interest payments for the July and August 1999 loans. Debt service on the loans is as follows:

Year Ending June 30,	Kentucky School Facility Construction Commission Principal	Interest
2013-14	$ 18,000	$ 6,301
2014-15	19,000	5,334
2015-16	19,100	4,335
2016-17	21,000	3,284
2017-19	45,460	3,041
	$ 122,560	$ 22,295

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

	Balance at July 1, 2012	Additions	Reductions	Balance at June 30, 2013	Due within One Year
Primary Government					
Revenue Bond Payable	$ 14,095,000	$ -	$ 616,000	$ 13,479,000	$ 633,000
Qualified School Constr. Bonds	11,153,000	-	-	11,153,000	-
Loans Payable	139,590	-	17,030	122,560	18,000
Accrued Sick Leave	100,786	20,232	-	121,018	60,509
Governmental Activities Long-Term Liabilities	$ 25,488,376	$ 20,232	$ 633,030	$ 24,875,578	$ 711,509

The total interest incurred for the year ended June 30, 2013 was $1,146,567, all of which was charged to expense.

NOTE G – COMMITMENTS UNDER NONCAPITALIZED LEASES

The District has various operating leases for copiers and office equipment. The following is a schedule of future minimum lease payments.

Year Ending June 30,	
2014	$ 18,273
2015	5,690
2016	1,298
Total Minimum Rentals	$ 25,261

Rent expense for the year ended June 30, 2013 was $32,523

NOTE H – ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon retirement from the school system, a certified employee will receive from the District 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments. As of June 30, 2012, management has estimated the accrued sick leave liability obligation will be approximately $121,019.

In accordance with GASB Statement No. 34, the government fund financial statements reflect the current portion of sick leave payable of $60,509. This is the amount anticipated to be funded with current year's economic financial resources.

NOTE I – RETIREMENT PLANS

Kentucky Teacher's Retirement

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

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

Funding policy - Contribution rates are established by KRS. All members are required to contribute 10.855% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 14.105% of salaries for members. The federal program for any salaries paid by that program pays the matching contributions. During the years ended June 30, 2013, 2012 and 2011, contributions of $881,068, $899,554, and $788,409 were made by the State of Kentucky and $123,898, $149,171 and $208,083 in contributions were passed through the District's federally funded programs. The employee contribution rates of 10.855% are actuarially determined and withheld by the District. Such withholdings during the years ended June 30, 2013, 2012 and 2011 totaled $815,963, $821,101 and $766,737 and were paid by the District to the State of Kentucky as required. The District has no other liability under the plan. The District's total payroll for all employees during the years ended June 30, 2013, 2012 and 2011 was $10,206,888, $10,556,539 and $9,892,250 and $7,519,634, $7,861,781 and $7,528,896 of such amounts related to employees covered by the retirement plan. All payments were made to the retirement system in the amount of the annually required contributions.

Substantially all other employees (classified personnel) are covered under the County Employees Retirement System (CERS). Funding for the Plan is provided through payroll withholdings of 5% and a District contribution for the years ended June 30, 2013, 2012 and 2011 of 19.55%, 18.96% and 16.93% of the employee's total compensation subject to contribution. The contribution rate is actuarially determined. The District's contribution requirement for CERS for the years ended June 30, 2013, 2012 and 2011 was $442,250, $445,875 and $400,118 from the District and $115,881, $119,361 and $119,318 from employees. The total covered payroll for CERS during the years ended June 30, 2013, 2012 and 2011 was $2,687,254, $2,694,758 and $2,363,354. Benefits under both plans will vary based on final compensation, years of service and other factors as fully described in the Plan documents. All payments were made to the retirement system in the amount of the annually required contributions.

The County Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601.

NOTE I – RETIREMENT PLANS – (CONTINUED)

Deferred Compensation

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

NOTE J – ON-BEHALF PAYMENTS

The following payments made by the state on-behalf of employees of the District and for the benefit of the District are recognized in the district-wide financial statements as additional revenue and expenditures for the year ended June 30, 2013:

Health Insurance	$ 1,915,082
Kentucky Teacher's Retirement System	881,068
Technology	60,980
Flexible Plans	52,325
Administrative Fees	19,943
Life Insurance	4,167
Less: Federal Reimbursements	(187,392)
Total	$ 2,746,173

NOTE K – CONTINGENCIES

The District receives funding from federal, state, and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor's review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and un-reimbursed 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 Kentucky School Boards Insurance Trust has issued an assessment due to premium loss to school districts. The total assessment for the Metcalfe County School District is $148,918. This amount has been recorded as a liability in the statement of net position and extraordinary expense in the government wide statement of activities.

NOTE L – INSURANCE AND RELATED ACTIVITIES

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

NOTE M – RISK MANAGEMENT

The District is exposed to various risks of loss related to injuries to employees. To obtain insurance of workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance fund. The public entity risk pools operate as common risk management and insurance programs for all school district and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance fund pays insurance premiums of the participating members

NOTE M – RISK MANAGEMENT (CONTINUED)

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 for which coverage was provided) would be returned to the members on a pro rata basis.

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

NOTE N – DEFICIT OPERATING BALANCES

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

General	$ 959,370
Construction	$9,226,486
Food Service	$ 48,582

NOTE O – COBRA

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

NOTE P – TRANSFER OF FUNDS

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Operating	General	Special Revenue	Technology Match	$ 22,442
Operating	General	Food Service	Operating	23,338
Operating	Special Revenue	General	Indirect Cost	1,700
Operating	Capital Outlay	Debt Service	Debt Service	150,739
Operating	Building Fund	Debt Service	Debt Service	1,016,882
				$1,215,101

NOTE Q - RESTRICTED NET ASSETS

The government-wide statement of net position reports $1,937,086 of restricted net assets, of which $638,964 is restricted by enabling legislation.

NOTE R – SUBSEQUENT EVENTS

Management has reviewed subsequent events through October 28, 2013. There are no material subsequent events to disclose.

REQUIRED SUPPLEMENTARY INFORMATION

METCALFE COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Taxes	$ 2,226,317	$ 2,507,137	$ 2,798,268	$ 291,131
Other Local Sources	12,000	12,000	51,680	39,680
State Sources	6,199,173	6,923,211	9,562,463	2,639,252
Federal Sources	-	11,500	25,541	14,041
Other Sources	1,000	40,000	76,758	36,758
TOTAL REVENUES	8,438,490	9,493,848	12,514,710	3,020,862
EXPENDITURES				
Instructional	5,706,561	6,500,791	7,138,289	(637,498)
Student Support Services	581,315	567,026	700,821	(133,795)
Staff Support Services	384,824	449,020	569,889	(120,869)
District Administration	447,112	641,083	604,790	36,293
School Administration	785,554	857,616	1,088,674	(231,058)
Business Support Services	504,099	554,955	598,520	(43,565)
Plant Operation & Maintenance	1,440,706	1,456,530	1,521,834	(65,304)
Student Transportation	1,124,903	1,247,373	1,197,432	49,941
Community Service Operations	-	-	-	-
Land/Site Acquisitions	200,000	293,490	7,666	285,824
Debt Service	413,482	-	-	-
Debt Service Other	350	-	-	-
Other	587,189	663,570	46,165	617,405
TOTAL EXPENDITURES	12,176,096	13,231,454	13,474,080	(242,626)
NET CHANGE IN FUND BALANCE	(3,737,606)	(3,737,606)	(959,370)	2,778,236
FUND BALANCES - BEGINNING	3,737,606	3,737,606	4,189,297	451,691
FUND BALANCES - ENDING	$ -	$ -	$ 3,229,927	$ 3,229,927

On-Behalf Payments of $2,627,490 are not budgeted by the Metcalfe County School District

METCALFE COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2013

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Other Local Sources	$ -	$ 122	$ 217	$ 95
State Sources	-	780,086	680,157	(99,929)
Federal Sources	-	2,149,942	2,318,272	168,330
Other Sources	-	82,006	49,910	(32,096)
TOTAL REVENUES	-	3,012,156	3,048,556	36,400
EXPENDITURES				
Instructional	-	2,537,569	2,706,512	(168,943)
Student Support Services	-	178,733	173,284	5,449
Staff Support Services	-	104,911	4,520	100,391
District Administration	-	9,048	-	9,048
Plant Operation & Maintenance	-	2,100	72	2,028
Adult Education Operations	-	10,000	-	10,000
Community Service Operations	-	169,795	162,468	7,327
Other	-	-	1,700	(1,700)
TOTAL EXPENDITURES	-	3,012,156	3,048,556	(36,400)
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCES - BEGINNING	-	-	-	-
FUND BALANCES - ENDING	$ -	$ -	$ -	$ -

SUPPLEMENTARY INFORMATION

METCALFE COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

	CAPITAL OUTLAY	BUILDING FUND	DEBT SERVICE	TOTAL NON-MAJOR GOVERNMENT FUNDS
ASSETS				
Cash & Cash Equivalents	$ 303,107	$ 496,956	$ -	$ 800,063
Investments	-	-	479,640	479,640
Accounts Receivable				
Taxes	-	-	-	-
Accounts	-	-	-	-
TOTAL ASSETS	$ 303,107	$ 496,956	$ 479,640	$ 1,279,703
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	$ -	$ -	$ -	$ -
Accrued Sick Leave	-	-	-	-
Deferred Revenues	-	-	-	-
Total Liabilities	-	-	-	-
Fund Balances				
Restricted - SFCC Escrow Current Offer	14,590	11,541	-	26,131
Restricted - Debt Service	-	-	479,640	479,640
Restricted - Future Construction	288,517	485,415	-	773,932
Unassigned	-	-	-	-
Total Fund Balances	303,107	496,956	479,640	1,279,703
TOTAL LIABILITIES AND FUND BALANCES	$ 303,107	$ 496,956	$ 479,640	$ 1,279,703

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

	CAPITAL OUTLAY	BUILDING FUND	DEBT SERVICE	TOTAL NON-MAJOR GOVERNMENT FUNDS
REVENUES				
Taxes	$ -	$ 393,666	$ -	$ 393,666
Earnings from Investments	-	-	6,347	6,347
Intergovernmental - State	140,259	623,216	453,319	1,216,794
Intergovernmental - Federal	-	-	680,878	680,878
Other Sources	10,480	-	-	10,480
TOTAL REVENUES	150,739	1,016,882	1,140,544	2,308,165
EXPENDITURES				
Instructional	-	-	-	-
Student Support Services	-	-	-	-
Staff Support Services	-	-	-	-
District Administration	-	-	-	-
School Administration	-	-	-	-
Business Support Services	-	-	-	-
Plant Operations & Maintenance	-	-	-	-
Student Transportation	-	-	-	-
Central Office	-	-	-	-
Community Service Operations	-	-	-	-
Facilities Acquisition & Construction	-	-	-	-
Debt Service				
Principal	-	-	633,030	633,030
Interest	-	-	1,134,657	1,134,657
Other	-	-	-	-
TOTAL EXPENDITURES	-	-	1,767,687	1,767,687
EXCESSS(DEFICIT) REVENUES OVER EXPENDITURES	150,739	1,016,882	(627,143)	540,478
OTHER FINANCING SOURCES(USES)				
Proceeds from Sale of Bonds	-	-	-	-
Proceeds from Sale of Assets	-	-	-	-
Operating Transfers In	-	-	1,106,783	1,106,783
Operating Transfers Out	(150,739)	(1,016,882)	-	(1,167,621)
TOTAL OTHER FINANCING SOURCES(USES)	(150,739)	(1,016,882)	1,106,783	(60,838)
NET CHANGE IN FUND BALANCES	-	-	479,640	479,640
FUND BALANCES - BEGINNING	303,107	496,956	-	800,063
FUND BALANCES - ENDING	$ 303,107	$ 496,956	$ 479,640	$ 1,279,703

METCALFE COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES
ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	FUND BALANCE JULY 1, 2012	REVENUES	EXPENDITURES	FUND BALANCE JUNE 30, 2013
Metcalfe County High School	$ 67,727	$ 189,550	$ 188,989	$ 68,288
Summer Shade Elementary School	13,563	36,791	34,267	16,087
Edmonton Elementary School	15,867	80,538	83,553	12,852
North Metcalfe Elementary School	6,471	23,097	28,709	859
Metcalfe County Middle School	15,715	87,457	93,517	9,655
Total Activity Funds (Due to Student Groups)	$ 119,343	$ 417,433	$ 429,035	$ 107,741

SCHEDULE OF REVENUES, EXPENDITURES AND FUND BALANCES
SCHOOL ACTIVITY FUNDS

METCALFE COUNTY SCHOOL DISTRICT
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
HIGH SCHOOL ACTIVITY FUND
FOR THE YEAR ENDED JUNE 30, 2013

	CASH BALANCE July 1, 2012	RECEIPTS	DISBURSEMENTS	CASH BALANCE JUNE 30, 2013	ACCOUNTS RECEIVABLE JUNE 30, 2013	ACCOUNTS PAYABLE JUNE 30, 2013	FUND BALANCE JUNE 30, 2013
Academic Team	$ 80	$ 100	$ 56	$ 124	$ -	$ -	$ 124
Art Department	286	75	285	76	-	-	76
Athletics	3,306	44,724	43,507	4,522	69	-	4,591
Band	-	1,427	527	900	-	-	900
National Honor Society	3,265	875	3,360	780	-	-	780
Book Rental	690	1,006	1,313	383	-	-	383
Cheerleaders	183	100	153	130	-	-	130
Volleyball	868	948	1,318	498	-	-	498
Nursing Class	-	3,506	2,847	659	-	-	659
Class of 2013	173	10,945	9,659	1,459	-	1,459	-
Class of 2014	285	4,834	3,496	1,623	20	-	1,643
Class of 2015	431	1,518	473	1,476	-	-	1,476
Class of 2016	-	-	-	-	-	-	-
Computer Club/STLP	737	1,401	1,564	574	-	-	574
Concession Golf	935	300	910	325	-	-	325
Concession Girls Basketball	13	2,639	2,447	205	-	-	205
Concession Softball	213	320	532	1	-	-	1
Concession Boys Basketball	788	300	1,088	-	-	-	-
Concession Cheerleaders	198	300	498	-	-	-	-
Concession Cross Country	232	775	447	560	-	-	560
Concession Dance Team	339	300	-	639	-	-	639
Concession Baseball	60	-	-	60	-	-	60
Concession Football	300	300	-	600	-	-	600
Athletics Tournament Share	27,372	6,396	16,912	16,856	-	-	16,856
Concession Volleyball	300	456	450	306	-	-	306
Concession Band	3	300	303	-	-	-	-
Dance Team	470	-	145	325	250	-	575
FCA	594	-	-	594	-	-	594
F.E.A	87	-	-	87	-	-	87
FFA	2,264	16,456	18,443	277	-	80	197
FCCLA	-	16,609	15,672	937	-	-	937
General	164	2,361	2,415	110	100	-	210
Interest	49	191	171	69	-	-	69
Library	1,448	6,021	5,323	2,146	-	-	2,146
Pep Club	281	405	504	182	-	-	182
Student Coke/Snack	53	16,699	14,259	2,493	-	-	2,493
Student Council	209	-	-	209	-	-	209

METCALFE COUNTY SCHOOL DISTRICT
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
HIGH SCHOOL ACTIVITY FUND
FOR THE YEAR ENDED JUNE 30, 2013

	CASH BALANCE July 1, 2012	RECEIPTS	DISBURSEMENTS	CASH BALANCE JUNE 30, 2013	ACCOUNTS RECEIVABLE JUNE 30, 2013	ACCOUNTS PAYABLE JUNE 30, 2013	FUND BALANCE JUNE 30, 2013
Teachers' Lounge	$ 3,304	$ 5,821	$ 6,844	$ 2,281	$ -	$ -	$ 2,281
Picture Day Fund	50	795	407	438	-	-	438
AP World History	-	502	502	-	-	-	-
Yearbook	5,696	13,925	7,050	12,571	60	-	12,631
Girls Basketball Camp	805	2,312	2,272	845	-	-	845
HOSA	682	9,016	8,899	799	-	-	799
Elective Fee	564	-	564	-	-	-	-
Concessions Tennis	271	2,148	1,754	665	-	-	665
FBLA	41	-	41	-	-	-	-
Prom	4,474	7,736	8,055	4,155	-	-	4,155
Senior Trip	567	-	567	-	-	-	-
Flower Fund	98	115	192	21	-	-	21
Special Ed	119	-	-	119	-	-	119
Boys Basketball Camp	1,201	3,363	2,229	2,335	-	-	2,335
SADD Club	-	250	250	-	-	-	-
AP Account	-	250	235	15	-	-	15
FFA Booster Alumni	-	50	-	50	-	-	50
Archery Club	2,362	6,960	4,943	4,379	-	-	4,379
Concessions Bass Fishing	-	1,125	867	258	-	-	258
Project Graduation	-	1,167	1,167	-	-	-	-
Chess Club	212	-	-	212	-	-	212
Total All Funds	$ 67,121	$ 198,122	$ 195,915	$ 69,328	$ 499	$ 1,539	$ 68,288
Interfund Transfers	-	(8,061)	(8,061)	-	-	-	-
Total	$ 67,121	$ 190,061	$ 187,854	$ 69,328	$ 499	$ 1,539	$ 68,288

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	EXPENDITURES
U.S. Department of Education			
Passed-Through KY Workforce Development Cabinet			
Adult Education - Basic Grants to States	84.002	3732	$ 112
Adult Education - Basic Grants to States	84.002	3763	10,848
Total KY Workforce Development Cabinet			10,960
Passed-Through GRREC			
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	6973	12,142
Total GRREC			12,142
Passed-Through Department of Education			
Title I, Part A Cluster			
Title I - Grants to Local Educational Agencies	84.010	3101M	890
Title I - Grants to Local Educational Agencies	84.010	3102	169,724
Title I - Grants to Local Educational Agencies	84.010	3102D	17,265
Title I - Grants to Local Educational Agencies	84.010	3102M	3,249
Title I - Grants to Local Educational Agencies	84.010	3103	486,412
Title I - Grants to Local Educational Agencies	84.010	3103M	806
Title I - Grants to Local Educational Agencies	84.010	3103D	32,520
Title I - Grants to Local Educational Agencies	84.010	3202	24,733
Total Title I, Part A Cluster			735,599
Migrant Education - State Grant Program	84.011	3112	56,926
Migrant Education - State Grant Program	84.011	3112R	4,955
Migrant Education - State Grant Program	84.011	3112S	7,110
Migrant Education - State Grant Program	84.011	3113	89,690
			158,681
Career and Technical Education-Basic Grants to States	84.048	3481A	3
Career and Technical Education-Basic Grants to States	84.048	3482	3,364
Career and Technical Education-Basic Grants to States	84.048	3482A	729
Career and Technical Education-Basic Grants to States	84.048	3483	17,768
			21,864
Rehabilitation Services-Vocational Rehabilitation Grants to States	84.126	5521312	5,364
Rehabilitation Services-Vocational Rehabilitation Grants to States	84.126	5521212	600
			5,964
Rural Education	84.358	3501	2,466
Rural Education	84.358	3502	34,451
Rural Education	84.358	3503	2,528
			39,445
Improving Teacher Quality State Grants	84.367	4012	36,791
Improving Teacher Quality State Grants	84.367	4013	39,643
			76,434
Race To The Top	84.413	4521	20,999
Twenty-First Century Community Learning Centers	84.287	5501	162,307
Twenty-First Century Community Learning Centers	84.287	5501J	5,571
Twenty-First Century Community Learning Centers	84.287	5502	76,497

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

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	EXPENDITURES
Twenty-First Century Community Learning Centers	84.287	5502S	$ 5,000
			249,375
Special Education Cluster			
Special Education - Grants to States	84.027	3372	37,765
Special Education - Grants to States	84.027	3373	263,987
Special Education - Grants to States	84.027	3373P	1,348
Special Education - Preschool Grants	84.173	3431	10,639
Special Education - Preschool Grants	84.173	3432	8,001
Special Education - Preschool Grants	84.173	3433	1,237
Total Special Education Cluster			322,977
Educational Technology State Grants	84.318	4251	41
English Language Acquisition Grants	84.365	3453	1,985
Education Jobs Fund	84.410	4411	24,520
School Improvement Grants Cluster			
ARRA- School Improvement Grants	84.388	5600B	233,264
ARRA- School Improvement Grants	84.388	5600C	420,555
Total School Improvement Grants Cluster			653,819
Total U.S. Department of Education			2,334,805
U.S. Department of Agriculture			
Passed-Through State Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	7750002 12	110,040
National School Lunch Program	10.555	7750002 13	415,802
School Breakfast Program	10.553	7760005 12	50,049
School Breakfast Program	10.553	7760005 13	189,699
Summer Food Service Program for Children	10.559	7740023 12	1,852
Summer Food Service Program for Children	10.559	7740023 13	6,734
Summer Food Service Program for Children	10.559	7690024 12	192
Total Child Nutrition Cluster			774,368
Passed-Through State Department of Agriculture			
Food Distribution	10.565	51	57,647
Total U.S. Department of Agriculture			832,015
Total Federal Financial Assistance			$ 3,166,820

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

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Metcalfe 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 the Metcalfe County School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the Metcalfe County School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting for proprietary funds and the modifierd accrual basis of accounting for governmental funds. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments,* wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity indentifying numbers are presented where available.

NOTE C – FOOD DISTRIBUTION

Non-monetary assistance is reported in the schedule at the fair value of the commodities disbursed.

NOTE D – SUBRECIPIENTS

There were no subrecipients during the fiscal year.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

METCALFE COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2013

Section I - Summary of Auditors' Results

Financial Statements

Type of audit issued: Unmodified

Internal control over financial reporting

- Material weakness(es) identified? _____ Yes __X__ No
- Significant deficiencies identified that are not considered to be material weakness(es)? _____ Yes __X__ None Reported

Noncompliance material to financial statements noted? _____ Yes __X__ No

Federal Awards

Internal control over major programs?

- Material weakness(es) identified? _____ Yes __X__ No
- Significant deficiencies identified that are not considered to be material weakness(es)? _____ Yes __X__ None Reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ Yes __X__ No

Identification of major programs

CFDA Number	Name of Federal Program or Cluster
84.010	Title I, Part A Cluster
84.388	School Improvement Grants Cluster
84.011	Migrant Education State Grants

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

Auditee qualified as low-risk auditee? __X__ Yes _____ No

Section II - Financial Statement of Findings

No matters were reported

Section III – Federal Award Findings and Questioned Costs

No matters were reported

METCALFE COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2013

Financial Statement Findings

The audit of Metcalfe County School District for the year ended June 30, 2012, revealed no audit findings requiring corrective action.

Federal Award Findings and Questioned Costs:

The audit of Metcalfe County School District for the year ended June 30, 2012, revealed no audit findings requiring corrective action.

WISE, BUCKNER, SPROWLES
& ASSOCIATES, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

GREGORY S. WISE, CPA
SHIRLEY M. BUCKNER, CPA
JEFFREY G. SPROWLES, CPA

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 *GOVERNMENTAL AUDITING STANDARDS*

Kentucky State Committee for School District Audits
Members of the Board of Education
Metcalfe County School District
Edmonton, KY 42129

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, and the requirements prescribed by the Kentucky State Committee for School District Audits *Independent Auditor's Contract* in Appendices I, and II of the *Independent Auditor's Contract*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Metcalfe 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 Metcalfe County School District's basic financial statements and have issued our report thereon dated October 28, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Metcalfe 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 Metcalfe County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Metcalfe 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 that a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting 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 over financial reporting 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 Metcalfe 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*. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in the *State Audit Requirements* section of the *Independent Auditor's Contract*.

301 E. MAIN STREET • P.O. BOX 1083 • CAMPBELLSVILLE, KY 42719-1083 • (270) 465-6842 • FAX (270) 465-7703
E-Mail: wbscpa@wbscpas.com • www.wbscpas.com

Purpose of this Report

The purpose of this report is to solely describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide and 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

Wise, Buckner, Sprowles & Associates PLLC

Wise, Buckner, Sprowles & Associates PLLC
Campbellsville, KY

October 28, 2013

WISE, BUCKNER, SPROWLES
& ASSOCIATES, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

GREGORY S. WISE, CPA
SHIRLEY M. BUCKNER, CPA
JEFFREY G. SPROWLES, CPA

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

Kentucky State Committee for School District Audits
Members of the Board of Education
Metcalfe County School District
Edmonton, KY 42129

Report on Compliance for Each Major Federal Program

We have audited Metcalfe County School District's compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Metcalfe County School District's major federal programs for the year ended June 30, 2013. Metcalfe 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 Metcalfe 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, , and the audit requirements prescribed by the Kentucky State Committee for Schools District Audits Independent Auditor's Contract, Appendix I of the Independent Auditor's Contract – Audit Extension Request, and Appendix II of the Independent Auditor's Contract – Instructions for Submission of the Audit Report. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Metcalfe 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 on Metcalfe County School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Metcalfe 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 Metcalfe 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 Metcalfe 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 Metcalfe 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.

Wise, Buckner, Sprowles & Associates PLLC

Wise, Buckner, Sprowles & Associates PLLC
Certified Public Accountants

Campbellsville, Kentucky
October 28, 2013

MANAGEMENT LETTER

WISE, BUCKNER, SPROWLES
& ASSOCIATES, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

GREGORY S. WISE, CPA
SHIRLEY M. BUCKNER, CPA
JEFFREY G. SPROWLES, CPA

October 28, 2013

Members of the Board of Education
Metcalfe County School District
Edmonton, Kentucky

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

However, during our audit we became aware of two matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding these matters, but we would first like to address the progress of the management letter points from the previous audit.

The management letter from the previous fiscal year discussed four points with respect to strengthening internal controls within the school activities funds. One point was discussed in regards to strengthening internal controls within the Central Office.

In connection with our testing of activity funds, the following observations were made concerning the prior year management letter points:

Fiduciary Funds – School Activity Funds

Finding - During our fieldwork for activity funds, we found the Metcalfe County High School's Beta and HOSA clubs held approved fundraiser's of which the activity could not be traced back to the Fundraiser Worksheet F-SA-2B or equivalent. The Fundraiser Worksheet Sections 3 & 4 contains cells to document individual daily receipts and individual expense checks so that the activity can be traced from the worksheet to the activity fund ledger.

Prior year recommendation – Document receipts (line 3) and expenses (line 4) on School Activity Fund Raiser Worksheet F-SA- 2B or equivalent in manner which allows for receipt and expenses amounts to be traceable to the fund ledgers. Hold staff meetings for activity fund sponsors specifically to address the proper procedures for recording fundraiser transactions. Proper recording procedures for fundraisers can be found in the Red Book.

Current year observation – During our current audit procedures for activity fund fundraisers, only one exception was found for a $13.00 deposit for the Archery Club's Ozark Sucker sales that was not documented on the School Activity Fund Raiser Worksheet F-SA-2B. It was determined that this transaction was immaterial.

Finding - The Metcalfe County High School booster club's for Girls Basketball and Girls Softball had turned in an annual financial report timely but failed to list expenditures in detail

Prior year recommendation – Continue to educate booster club sponsors concerning the requirements of booster club reporting requirements according to Red Book procedures by providing the sponsors with documentation concerning the responsibilities of booster clubs with information taken from the Red Book. Alternatively, the District could institute policies to terminate consistently non-compliant booster clubs and begin to operate them within the activity fund of the school.

301 E. MAIN STREET • P.O. BOX 1083 • CAMPBELLSVILLE, KY 42719-1083 • (270) 465-6842 • FAX (270) 465-7703
E-Mail: wbscpa@wbscpas.com • www.wbscpas.com

For the booster clubs to satisfy the financial reporting requirements, they could simply submit a copy of a completed check register for the year.

Current year observation – During our current year audit procedures for activity fund booster clubs, we found that all booster clubs submitted annual financial reports with detailed expenditures. Four booster clubs (Girls Basketball, Boys Basketball, Volleyball, and Softball) failed to provide beginning and ending cash balances on the annual financial reports.

Central Office

Finding - During our fieldwork, one immaterial unrecorded receipt was found that should have been recorded as accounts receivable at June 30, 2012.

Prior year recommendation – Although controls for year-end closing procedures concerning accounts receivable have been improved and implemented, we would recommend that an additional cross-check be included to allow for two people, preferably the Accounts Payable Clerk (although this would not currently be within her job description), or another suitable person and the Finance Officer to be involved in the process of recording accounts receivable.

Current year observation – During our current year audit procedure search for unrecorded accounts receivable, we found one non-material unrecorded receivable.

Finding - The District has several Certificates of Deposit with varying dates of maturity of which accrued interest receivable is not being recorded.

Recommendation – We recommend the Finance Officer obtain sufficient documentation such as dates of maturity, interest rates and the balance of the Certificates of Deposit at fiscal year-end to be able to calculate and record the interest accrual.

Current year observation – During our current year audit procedure we found that the interest accrual had not been calculated and recorded.

The following memorandum discusses the current year management letter points. We will review the status of these comments during our next audit engagement. We would like to offer our assistance throughout the year if and when new or unusual situations arise. Our awareness of new developments when they occur would help to ensure that the Board is complying with requirements such as those mentioned in thefollowing memorandum.

Sincerely,

Wise, Buckner, Sprowles & Associates PLLC

Wise, Buckner, Sprowles & Associates PLLC
Certified Public Accountants

Current Year Finding and Recommendation

Central Office – Finance Department

Finding #1 – During our audit procedures for capital assets, we discovered several inconsistencies between new asset additions reports and the amounts reflected on the financial statements.

Recommendation – We recommend that management review current procedures over capital assets and establish and implement controls over the recording of capital assets that include reconciliation of capital assets to current year additions and retirements to match actual activity to ensure proper presentation.

Management Response

Management agrees with the finding and the recommendation will be discussed within the finance department.

Current Year Finding and Recommendation

Finding #2 - During our fieldwork, one immaterial unrecorded accounts payable was found that should have been recorded as accounts payable at June 30, 2013.

Recommendation – Although controls for year-end closing procedures concerning accounts payable are implemented, we would recommend that procedures be included to allow for two people, preferably the Assistant Finance Officer and the Finance Officer be involved in the process of recording accounts payable.

Management Response

Management agrees with the finding and the recommendation will be discussed within the finance department.

Current Year Finding and Recommendation

Finding #3 - The District has several Certificates of Deposit with varying dates of maturity of which accrued interest receivable is not being recorded. This is a repeat finding.

Recommendation – We recommend the Finance Officer obtain sufficient documentation such as dates of maturity, interest rates and the balance of the Certificates of Deposit at fiscal year-end to be able to calculate and record the interest accrual.

Management Response

Management agrees with the finding and the recommendation will be discussed within the finance department.

Current Year Finding and Recommendation

Finding #4 - During our fieldwork, one immaterial unrecorded accounts receivable was found that should have been recorded as accounts receivable at June 30, 2013.

Recommendation – Although controls for year-end closing procedures concerning accounts receivables are implemented, we would recommend that the internal control process of identifying and recording accounts receivable be reviewed and implement additional procedures, if applicable, that includes an additional reconciliation or cross check

Management Response

Management agrees with the finding and the recommendation will be discussed within the finance department.