

MONROE COUNTY SCHOOL DISTRICT

TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2013

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-8
Government-wide Financial Statements:	
Statement of Net Position.....	9
Statement of Activities.....	10
Governmental Funds Financial Statements:	
Balance Sheet – Governmental Funds.....	11
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position.....	12
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	14
Proprietary Fund Financial Statements	
Statement of Net Position–Proprietary Funds.....	15
Statement of Revenues, Expenses and Changes in Net Position– Proprietary Funds.....	16
Statement of Cash Flows – Proprietary Funds.....	17
Fiduciary Funds Financial Statements	
Statement of Fiduciary Net Assets – Agency Funds.....	18-19
Notes to the Basic Financial Statements	20-45
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund.....	46

MONROE COUNTY SCHOOL DISTRICT

TABLE OF CONTENTS – CONTINUED

YEAR ENDED JUNE 30, 2013

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Special Revenue Fund.....	47	
Supplementary Information:		
Combining Balance Sheet – Nonmajor Governmental Funds.....	48	
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	49	
Combining Statement of Fiduciary Net Position–Agency Funds.....	50	
Schedule of Receipts, Disbursements and Dues to Student Groups High School Activity Funds	51	
Reports Required By the Single Audit Act:		
Schedule of Expenditures of Federal Awards.....	52-53	
Notes to the Schedule of Expenditures of Federal Awards.....	54	
Schedule of Findings and Questioned Cost.....	55-56	
Schedule of Prior Year Audit Findings.....	57	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>.....		58-59
Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.....		60-61
Communication with District Board.....	62	
Comments.....	63-64	

GOODMAN & WEBER, P.S.C.

Certified Public Accountants

10357 Linn Station Road
Louisville, KY 40223
(502) 339-0342 Fax (502) 339-0794

William H. Goodman, CPA, MBA
Daniel A. Weber, CPA, MBA

INDEPENDENT AUDITOR'S REPORT

www.goodmanandweberpsc.com
whgoodman@att.net

November 4, 2013
Members of the Board of Education
Monroe County School District
Thompsonville, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Monroe County Board of Education, Kentucky, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Monroe County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I of the Independent Auditor's Contract – General Audit Requirements*, *Appendix II of the Independent Auditor's Contract – State Audit Requirements*, *Appendix III of the Independent Auditor's Contract – Audit Extension Request* and *Appendix IV 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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of

the Monroe County Board of Education, Kentucky, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United State of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 46 through 47 be presented to supplement the basic financial statements.

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Monroe County Board of Education's financial statements. The combining financial statements, school schedules and schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated November 4, 2013, on our consideration of Monroe County Board of Education's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the 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 Monroe County Board of Education's internal control over financial reporting and compliance.


GOODMAN & COMPANY, P.S.C.
Certified Public Accountants
Louisville, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

The Management's Discussion and Analysis (MD&A) is a new reporting form adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements and Management's Discussion and Analysis for State and Local Government issued in June, 1999.

MISSION STATEMENT:

With the support of parents, school, and community, the mission of the Monroe County School District is to provide a comprehensive learning environment for children to prepare for lifelong learning and achievement in a changing society and a complex world.

FINANCIAL HIGHLIGHTS

- The beginning General Fund cash balance for the District was \$1.5 million. The ending General Fund balance was \$1.4 million.
- A concerted effort was focused on purchasing in all areas.
- The School district refinanced two bond issues which resulted savings in future debt service payments: (1) the 2004 bond issue resulted a savings of \$549,111 and (2) the 2005 bond issue resulted a savings of \$442,107.
- The district purchased a new bus for its regular route fleet.
- Utilized state flexibility for use of Capital Outlay funds to offset general fund expenditures to pay property insurance.
- The General Fund had \$14.2 million in revenue, which primarily consisted of the state program SEEK (Support Educational Excellence in Kentucky) which is the state formula for funding schools, property, local occupational license taxes, utilities, and motor vehicle taxes. Excluding inter-fund transfers, there were \$14.1 million in General Fund expenditures, with a carryover of \$61,544.

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.

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

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

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

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

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

The government-wide financial statements can be found on pages 9 and 10 of this report.

Fund financial statements. A fund is grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. This is state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administration 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 11-14 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-45 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$9.9 million as of June 30, 2013.

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

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

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

Net Position for the period ending June 30, 2013

The current year's financial statements are dramatically different from past years as a result of implementing GASB 34. Attempting to compare this year's data with last year would be misleading to the reader; however, the District looks forward to offering comparative data in the future.

ASSETS	Government Activities		Business-type Activities		Total	
	<u>6/30/2013</u>	<u>6/30/2012</u>	<u>6/30/2013</u>	<u>6/30/2012</u>	<u>6/30/2013</u>	<u>6/30/2012</u>
Current Assets	\$ 1,476,439	\$ 2,084,226	\$ 55,223	\$ 154,155	\$ 1,531,662	\$ 2,238,381
Noncurrent Assets	<u>27,560,990</u>	<u>28,177,944</u>	<u>1,481,454</u>	<u>1,547,725</u>	<u>29,042,444</u>	<u>29,725,669</u>
TOTAL ASSETS	<u>\$ 29,037,429</u>	<u>\$ 30,262,170</u>	<u>\$ 1,536,677</u>	<u>\$ 1,701,880</u>	<u>\$ 30,574,106</u>	<u>\$ 31,964,050</u>
Current Liabilities	\$ 2,049,401	\$ 2,112,507	\$ -	\$ 100	\$ 2,049,401	\$ 2,112,607
Noncurrent Liabilities	<u>18,616,031</u>	<u>19,444,367</u>	<u>-</u>	<u>-</u>	<u>18,616,031</u>	<u>19,444,367</u>
TOTAL LIABILITIES	<u>\$ 20,665,432</u>	<u>\$ 21,556,874</u>	<u>\$ -</u>	<u>\$ 100</u>	<u>\$ 20,665,432</u>	<u>\$ 21,556,974</u>
Net Position						
Investment in Capital Assets (net of debt)	\$ 7,197,165	\$ 7,838,561	\$ 1,481,454	\$ 1,547,725	\$ 8,678,619	\$ 9,386,286
Restricted	6,491	6,491	-	-	6,491	6,491
Unreserved fund balance	<u>1,068,341</u>	<u>860,244</u>	<u>55,223</u>	<u>154,055</u>	<u>1,223,564</u>	<u>1,014,299</u>
TOTAL NET POSITION	<u>\$ 8,371,997</u>	<u>\$ 8,705,296</u>	<u>\$ 1,536,677</u>	<u>\$ 1,701,780</u>	<u>\$ 9,908,674</u>	<u>\$ 10,407,076</u>

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

Comments on Budget Comparisons

- The District's total revenue for the fiscal year ended June 30, 2013 was \$21.6 million.
- The General Fund's total revenues were \$14.2 million, higher than budgeted by 25%. The expenditures of the General Fund amounted to \$14.2 million or 17% higher than budgeted. After considering transfers and adjustments, the fund balance declined \$125,428.
- The Special Revenue Fund's total revenue was \$3.9 million, higher than budgeted by 13%. Expenditures totaled \$3.9 million, higher than the budget by 13%.

The following table presents a summary of changes in net position for the fiscal year ended June 30, 2013 and 2012.

	2013			2012		
	Government Activities	Business Type Activities	Total	Government Activities	Business Type Activities	Total
Program Revenues:						
Charges for services	\$ -	\$ 381,183	\$ 381,183	\$ -	\$ 444,546	\$ 444,546
Operating grants	3,947,368	1,301,345	5,248,713	4,773,515	1,290,400	6,063,915
Capital grants	169,620	-	169,620	3,200,000	-	3,200,000
General Revenues:						
Taxes	3,364,888	-	3,364,888	2,883,796	-	2,883,796
State aid formula grant	12,367,858	-	12,367,858	13,001,422	-	13,001,422
Investment earnings	24,457	1,281	25,738	287,017	1,721	288,738
All other	142,191	(93,258)	48,933	56,051	4,567	60,618
Total Revenues	\$ 20,016,382	\$ 1,590,551	\$ 21,606,933	\$ 24,201,801	\$ 1,741,234	\$ 25,943,035
Program Expenses						
Instruction	\$ 11,956,612	\$ -	\$ 11,956,612	\$ 13,098,095	\$ -	\$ 13,098,095
Student Support	1,017,882	-	1,017,882	1,150,458	-	1,150,458
Instruction Staff	1,198,144	-	1,198,144	1,151,987	-	1,151,987
District Administration	434,371	-	434,371	427,481	-	427,481
School Administration	1,341,359	-	1,341,359	1,355,927	-	1,355,927
Business Support	495,259	-	495,259	519,908	-	519,908
Plant Operations	2,103,949	-	2,103,949	2,114,400	-	2,114,400
Student Transportation	1,055,435	-	1,055,435	1,168,173	-	1,168,173
Central Office	78,341	-	78,341	-	-	-
Community Support	221,829	-	221,829	227,540	-	227,540
Interest on long-term debt	446,500	-	446,500	806,762	-	806,762
Food Service	-	1,629,400	1,629,400	-	1,621,474	1,621,474
Day Care	-	126,254	126,254	-	121,554	121,554
Total Expenses	\$20,349,681	\$ 1,755,654	\$ 22,105,335	\$ 22,020,731	\$ 1,743,028	\$ 23,763,759
Net Increase (Decrease) In Position:	\$ (333,299)	\$ (165,103)	\$ (498,402)	\$ 2,181,070	\$ (1,794)	\$ 2,179,276

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

Governmental Activities

Instruction comprises 58.8% of governmental program expenses. Support services expenses make up 39.0% of government expenses. The remaining expense for interest accounts for the remaining 2.2% of total government expense.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

	Governmental Activities			
	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>6/30/13</u>	<u>6/30/12</u>	<u>6/30/13</u>	<u>6/30/12</u>
Instruction	\$11,956,612	\$13,098,095	\$ 9,011,602	\$ 9,483,554
Support Services	7,946,569	8,115,874	6,774,591	6,956,900
Interest on long-term debt	<u>446,500</u>	<u>806,762</u>	<u>446,500</u>	<u>694,157</u>
Total Expenses	<u>\$20,349,681</u>	<u>\$22,020,731</u>	<u>\$16,232,693</u>	<u>\$13,934,611</u>

Business-Type Activities

The business-type activities include the food service and day care operations. These programs had total revenues of \$1.7 million and expenses of \$1.8 million for fiscal year 2013. Of the revenues, \$381,183 was charges for services, \$1,301,345 was from State and Federal Grants, and \$1,281 was from investment earnings. Business activities receive no support from tax revenues.

Capital Assets

At the end of fiscal year 2013 the School District had \$28.6 million invested in land, buildings, equipment, and construction in progress. The following table shows fiscal year 2013 balances:

	<u>2013</u>			<u>2012</u>		
	<u>Government Activities</u>	<u>Business Type Activities</u>	<u>Total</u>	<u>Government Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Land	\$ 531,690	\$ -	\$ 531,690	\$ 531,690	\$ -	\$ 531,690
Land Improvements	-	-	-	-	-	-
Buildings	26,083,743	1,268,727	27,352,470	26,972,139	1,302,982	28,275,121
Technology	139,962	3,477	143,439	225,710	4,893	230,603
Vehicles	230,863	-	230,863	307,114	-	307,114
Equipment	<u>125,814</u>	<u>209,250</u>	<u>335,064</u>	<u>141,291</u>	<u>223,850</u>	<u>381,141</u>
Total	<u>\$ 27,112,072</u>	<u>\$ 1,481,454</u>	<u>\$28,593,526</u>	<u>\$ 28,177,944</u>	<u>\$ 1,547,725</u>	<u>\$ 29,725,669</u>

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

BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1- June 30; other programs, i.e. some federal programs operate on a different fiscal calendar, but are reflected in the District's overall budget. By law the budget must have a minimum 2% contingency. The District adopted a budget with \$389,159 in contingency. Other budgetary implications:

- Seek per pupil amount went from \$3903 for FY 2012 to \$3833 for FY 2013
- Reduction in state and federal grant funds
- Insufficient funding of the state transportation formula
- CERS rates went from 18.96% to 19.55%
- KTRS required match went from 1.0% to 1.5%
- No salary increase for certified or classified personnel.
- ADA

The Monroe County Board of Education adopted the four percent (4%) tax rate increase for FY 2013. Property taxes are levied annually usually in October on the assessed value for all real and personal property in the district as of January 1st of the prior year. However, this revenue is not received until the months of November- February which means that the general fund's beginning balance is used to pay much of the first few months of expenditures. It is very important to have a substantial beginning balance to start the beginning of each year.

Questions regarding this report should be directed to the Superintendent, Lewis D. Carter, or to Kathy Haile, Chief Finance Officer, (270) 487-5456 or by mail at 309 Emberton Street, Tompkinsville, Kentucky 42167.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**MONROE COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION**

June 30, 2013

	Government Activities	Business Type Activities	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 584,032	\$ (78,666)	\$ 505,366
Inventory	-	17,281	17,281
Accounts Receivable	-	-	-
Taxes-current	29,515	-	29,515
Intergovernmental- Indirect Federal	862,892	116,608	979,500
Total Current Assets	<u>\$ 1,476,439</u>	<u>\$ 55,223</u>	<u>\$ 1,531,662</u>
Noncurrent Assets			
Bond issue costs	\$ 448,918	\$ -	\$ 448,918
Capital assets(Net of depreciation)	27,112,072	1,481,454	28,593,526
Total Non-Current Assets	<u>\$ 27,560,990</u>	<u>\$ 1,481,454</u>	<u>\$ 29,042,444</u>
Total Assets	<u>\$ 29,037,429</u>	<u>\$ 1,536,677</u>	<u>\$ 30,574,106</u>
Liabilities			
Current Liabilities			
Accounts Payable	\$ -	\$ -	\$ -
Deferred revenue	94,930	-	94,930
Current portion of bond obligations	1,330,000	-	1,330,000
Current portion of capital lease obligations	97,621	-	97,621
Current portion of compensated absences	80,350	-	80,350
Interest payable	446,500	-	446,500
Total Current Liabilities	<u>\$ 2,049,401</u>	<u>\$ -</u>	<u>\$ 2,049,401</u>
Noncurrent Liabilities			
Noncurrent portion of bond obligations	\$ 18,055,000	-	\$ 18,055,000
Deferred Gain on Qzab Bonds	166,176	-	166,176
Noncurrent portion of capital lease obligations	266,110	-	266,110
Noncurrent portion of compensated absences	128,745	-	128,745
Total Noncurrent Liabilities	<u>\$ 18,616,031</u>	<u>\$ -</u>	<u>\$ 18,616,031</u>
Total Liabilities	<u>\$ 20,665,432</u>	<u>\$ -</u>	<u>\$ 20,665,432</u>
Net Position			
Invested in capital assets, Net of related debt	\$ 7,197,165	\$ 1,481,454	\$ 8,678,619
Restricted for:			
SFCC	6,491	-	6,491
Unrestricted	1,168,341	55,223	1,223,564
Total Net Position	<u>\$ 8,371,997</u>	<u>\$ 1,536,677</u>	<u>\$ 9,908,674</u>

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS							
Governmental Activities:							
Instruction	\$ 11,956,612	\$ -	\$ 2,945,010	\$ -	\$ (9,011,602)	\$ -	\$ (9,011,602)
Support services:							
Student	1,017,882		317,383		(700,499)		(700,499)
Instruction staff	1,198,144		351,821		(846,323)		(846,323)
District administrative	434,371		-		(434,371)		(434,371)
School administrative	1,341,359		-		(1,341,359)		(1,341,359)
Business	495,259		-		(495,259)		(495,259)
Plant operation and maintenance	2,103,949		88,627		(2,015,322)		(2,015,322)
Student transportation	1,055,435		43,307		(1,012,128)		(1,012,128)
Central Office	78,341		-		(78,341)		(78,341)
Facilities Acquisition & Construction(Note M)	-		-	169,620	169,620		
Community service activities	221,829		201,220		(20,609)		(20,609)
Interest on long-term debt	446,500		-		(446,500)		(446,500)
Total governmental activities	\$ 20,349,681	\$ -	\$ 3,947,368	\$ 169,620	\$ (16,232,693)	\$ -	\$ (16,232,693)
Business-Type Activities:							
Food service	\$ 1,629,400	\$ 284,493	\$ 1,280,169	\$ -	\$ -	\$ (64,738)	\$ (64,738)
Day Care	126,254	96,690	21,176		-	(8,388)	(8,388)
Total business-type activities	\$ 1,755,654	\$ 381,183	\$ 1,301,345	\$ -	\$ -	\$ (73,126)	\$ (73,126)
Total Primary Government	\$ 22,105,335	\$ 381,183	\$ 5,248,713	\$ 169,620	\$ (16,232,693)	\$ (73,126)	\$ (16,305,819)
GENERAL REVENUES:							
From local sources:							
Taxes:							
Property taxes					\$ 1,869,566	\$ -	\$ 1,869,566
Motor vehicles taxes					298,993		298,993
Utilities taxes					827,706		827,706
Other local revenue					368,623		368,623
Investment earnings					24,457	1,281	25,738
Gain (Loss) on asset disposal					7,389	-	7,389
State and formula grants					12,367,858		12,367,858
Gain on Qzab Bonds					41,544		41,544
Transfers					93,258	(93,258)	-
Total General Revenues					\$ 15,899,394	\$ (91,977)	\$ 15,807,417
Change in net position					\$ (333,299)	\$ (165,103)	\$ (498,402)
Net position- beginning					8,705,296	1,701,780	10,407,076
Net position- ending					\$ 8,371,997	\$ 1,536,677	\$ 9,908,674

MONROE COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2013

	GENERAL FUND	SPECIAL REVENUE FUND	NON-MAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
Assets				
Cash and cash equivalents	\$ 1,345,503	\$ -	\$ 6,491	\$ 1,351,994
Accounts Receivable				
Taxes-current	29,515			29,515
Taxes-delinquent				
Intergovernmental- Indirect Federal		862,892		862,892
Total assets	<u>\$ 1,375,018</u>	<u>\$ 862,892</u>	<u>\$ 6,491</u>	<u>\$ 2,244,401</u>
Liabilities and Fund Balances:				
Liabilities				
Bank Overdraft	\$ -	\$ 767,962	\$ -	767,962
Accounts Payable	-	-	-	-
Deferred revenue		94,930		94,930
Total liabilities	<u>\$ -</u>	<u>\$ 862,892</u>	<u>\$ -</u>	<u>\$ 862,892</u>
Fund Balances				
Restricted:				
SFCC Escrow	\$ -	\$ -	\$ 6,491	\$ 6,491
Committed:				
Accrued Sick Leave	83,000			83,000
Unassigned:				
General fund	1,292,018	\$ -	-	1,292,018
Total fund balances	<u>\$ 1,375,018</u>	<u>\$ -</u>	<u>\$ 6,491</u>	<u>\$ 1,381,509</u>
Total liabilities and fund balances	<u>\$ 1,375,018</u>	<u>\$ 862,892</u>	<u>\$ 6,491</u>	<u>\$ 2,244,401</u>

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

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

Total Fund Balances – Total Governmental Funds \$ 1,381,509

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$43,544,689, and the accumulated depreciation is \$16,432,617. 27,112,072

Bond issuance costs are not financial resources and therefore are not reported as assets in governmental funds. 448,918

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:

	Interest Payable	(446,500)
	Bonds Payable	(19,385,000)
Deferred Gain on Qzab Bonds		(166,176)
Capital Lease Obligations		(363,731)
Compensated Absences		(209,095)
		(20,570,502)

Net Position of Government Activities \$ 8,371,997

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

	GENERAL FUND	SPECIAL REVENUE	NON MAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
From local sources:				
Taxes:				
Property	\$ 1,461,798	\$ -	\$ 407,768	\$ 1,869,566
Motor vehicle	298,993	-	-	298,993
Utilities	827,706	-	-	827,706
Earnings on investments	24,457	-	-	24,457
Other local revenues	57,386	311,237	-	368,623
Intergovernmental - stat	11,541,711	1,020,386	1,285,009	13,847,106
Intergovernmental - indirect federa	-	2,608,890	-	2,608,890
Intergovernmental - direct federa	21,995	6,855	-	28,850
TOTAL REVENUES	\$ 14,234,046	\$ 3,947,368	\$ 1,692,777	\$ 19,874,191
EXPENDITURES:				
Current:				
Instruction	\$ 7,397,779	\$ 2,975,010	\$ -	\$ 10,372,789
Support Services:				
Student	695,687	317,383	-	1,013,070
Instructional staff	844,663	351,821	-	1,196,484
District administration	428,143	-	-	428,143
School administration	1,338,973	-	-	1,338,973
Business	478,900	-	-	478,900
Plant operations and maintenance	1,955,620	88,627	-	2,044,247
Building Renovations	-	-	7,372	7,372
Student transportation	1,012,128	43,307	-	1,055,435
Community service activitie	20,609	201,220	-	221,829
Debt service:				
Principal	-	-	1,297,902	1,297,902
Interest	-	-	645,122	645,122
TOTAL EXPENDITURES	\$ 14,172,502	\$ 3,977,368	\$ 1,950,396	\$ 20,100,266
Excess (deficit) of revenues over expenditures	\$ 61,544	\$ (30,000)	\$ (257,619)	\$ (226,075)
OTHER FINANCING SOURCES (USES):				
Sale of Assets	\$ 7,389	\$ -	\$ -	\$ 7,389
Operating transfers in	149,887	30,000	835,007	1,014,894
Operating transfers out	(344,248)	-	(577,388)	(921,636)
TOTAL OTHER FINANCING SOURCES (USES)	\$ (186,972)	\$ 30,000	\$ 257,619	\$ 100,647
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	\$ (125,428)	\$ -	\$ -	\$ (125,428)
FUND BALANCES, July 1, 2012	1,500,446	-	6,491	1,506,937
FUND BALANCES, June 30, 2013	\$ 1,375,018	\$ -	\$ 6,491	\$ 1,381,509

**MONROE COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2013**

Total Net Change in Fund Balance - Governmental Funds \$ (125,428)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the period. (733,042)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 1,155,000

Expenditures reported in the fund financial statements are recognized when the current financial resources is used. However, expenses in the statement of activities are recognized when they are incurred.

Interest Payments	(198,622)
Bond Issuance Cost	(106,013)
Gain on Qzab Bonds	41,544
Compensated Absences	(248,836)
Capital Leases	<u>(117,902)</u>

Change in Net Position of Government Activities \$ (333,299)

PROPRIETARY FUND FINANCIAL STATEMENTS

MONROE COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS

JUNE 30, 2013

	<u>FOOD SERVICE</u>	<u>DAY CARE OPERATIONS</u>	<u>TOTAL</u>
ASSETS			
Current Assets			
Cash and cash equivalents	\$ (83,543)	\$ 4,877	\$ (78,666)
Inventory	17,281	-	17,281
Accounts receivable			
Intergovernmental- Indirect federal	116,608	-	116,608
Total current assets	<u>\$ 50,346</u>	<u>\$ 4,877</u>	<u>\$ 55,223</u>
Noncurrent Assets			
Capital assets(Net of depreciation)	\$ 1,481,454	\$ -	\$ 1,481,454
Total Assets	<u>\$ 1,531,800</u>	<u>\$ 4,877</u>	<u>\$ 1,536,677</u>
Liabilities			
Current Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Total current liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Position			
Invested in capital assets, net of related debt	\$ 1,481,454	\$ -	\$ 1,481,454
Unrestricted	50,346	4,877	55,223
Total Net Position	<u>\$ 1,531,800</u>	<u>\$ 4,877</u>	<u>\$ 1,536,677</u>

MONROE COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2013

	<u>FOOD SERVICE</u>	<u>DAY CARE OPERATIONS</u>	<u>TOTAL</u>
OPERATING REVENUES:			
Lunchroom sales	\$ 270,500	\$ -	\$ 270,500
Other operating revenues	13,993	96,690	110,683
TOTAL OPERATING REVENUES	<u>\$ 284,493</u>	<u>\$ 96,690</u>	<u>\$ 381,183</u>
OPERATING EXPENSES:			
Salaries and wages	\$ 786,010	\$ 119,527	\$ 905,537
Contract services	2,366	-	2,366
Materials and supplies	767,231	6,727	773,958
Depreciation	73,184	-	73,184
Other operating expenses	609	-	609
TOTAL OPERATING EXPENSES	<u>1,629,400</u>	<u>126,254</u>	<u>1,755,654</u>
Operating Loss	\$ (1,344,907)	\$ (29,564)	\$ (1,374,471)
NON-OPERATING REVENUES (EXPENSES):			
Federal grants	\$ 1,058,681	\$ -	\$ 1,058,681
State On-behalf Payments	141,344	21,176	162,520
State grants	11,761	-	11,761
Donated commodities	68,383	-	68,383
Interest income	1,281	-	1,281
TOTAL NON-OPERATING REVENUES BEFORE TRANSFERS	<u>\$ 1,281,450</u>	<u>\$ 21,176</u>	<u>\$ 1,302,626</u>
Transfers In (Out)	(93,258)	-	(93,258)
Net income (loss)	\$ (156,715)	\$ (8,388)	\$ (165,103)
TOTAL NET POSITION, July 1, 2012	<u>1,688,515</u>	<u>13,265</u>	<u>1,701,780</u>
TOTAL NET POSITION, June 30, 2013	<u><u>\$ 1,531,800</u></u>	<u><u>\$ 4,877</u></u>	<u><u>\$ 1,536,677</u></u>

MONROE COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2013

	FOOD SERVICE	DAY CARE	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from:			
Lunchroom sales	\$ 270,500	\$ -	\$ 270,500
Other activities	13,993	96,690	110,683
Cash paid to/for:			
Employees	(644,666)	(98,351)	(743,017)
Supplies	(699,748)	(6,727)	(706,475)
Other activities	(2,975)	-	(2,975)
Net cash provided (used) by operating activities	\$ (1,062,896)	\$ (8,388)	\$ (1,071,284)
Cash flows from Non-Capital and Related Financing Activities			
Federal grants	\$ 959,277	\$ -	\$ 959,277
State grants	11,761	-	11,761
Net Cash Provided by Non-Capital and Financing Activities	\$ 971,038	\$ -	\$ 971,038
Cash Flows from Capital and Financing Activities			
Purchases of capital assets	(6,913)	-	(6,913)
Transfers Out	(93,258)	-	(93,258)
Cash flows from Investing Activities			
Receipt of Interest Income	1,281	-	1,281
Net Increase (Decrease) in cash and cash equivalents	\$ (190,748)	\$ (8,388)	\$ (199,136)
Balances, Beginning of the year	107,205	13,265	120,470
Balances, end of year	\$ (83,543)	\$ 4,877	\$ (78,666)
Reconciliation of operating loss to net cash used by operating activities			
Operating Loss	\$ (1,344,907)	\$ (29,564)	\$ (1,374,471)
Adjustments to reconcile operating income to net cash used by operating activities:			
Depreciation	\$ 73,184	\$ -	\$ 73,184
State on Behalf Payments	141,344	21,176	162,520
Donated commodities	68,383	-	68,383
Changes in assets and liabilities			
Inventory	(800)	-	(800)
Accounts payable	(100)	-	(100)
Net cash provided (used) by operating activities	\$ (1,062,896)	\$ (8,388)	\$ (1,071,284)
Schedule of non-cash transactions:			
Donated commodities received from federal government	\$ 68,383	\$ -	\$ 68,383
On behalf payments from the state government	\$ 141,344	\$ 21,176	\$ 162,520

FIDUCIARY FUNDS FINANCIAL STATEMENTS

MONROE COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

JUNE 30, 2013

	<u>AGENCY FUNDS</u>	<u>PRIVATE PURPOSE TRUST FUNDS</u>
ASSETS		
Cash	\$ 331,876	\$ 21,018
Receivables	-	-
TOTAL ASSETS	<u>\$ 331,876</u>	<u>\$ 21,018</u>
 LIABILITIES		
Liabilities:		
Accounts Payable	\$ -	\$ -
Due to Student Groups	331,876	-
TOTAL LIABILITIES	<u>\$ 331,876</u>	<u>\$ -</u>
 NET POSITION HELD IN TRUST	<u>\$ -</u>	<u>\$ 21,018</u>

MONROE COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

YEAR ENDED JUNE 30, 2013

	<u>PRIVATE PURPOSE</u> <u>TRUST FUNDS</u>
Additions	
Interest	\$ 168
Deductions	
Scholarships	<u>(500)</u>
Net Position, July 1, 2012	<u>21,350</u>
Net Position, June 30, 2013	<u><u>\$ 21,018</u></u>

NOTES TO THE FINANCIAL STATEMENTS

**MONROE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

▪ **REPORTING ENTITY**

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

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

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

Based on the Foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements.

Monroe County School District Finance Corporation – In July 1985, the Monroe County, Kentucky Board of Education resolved to authorize the establishment of the Monroe County School District Finance Corporation (a non-profit, non-stock, public, and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the District for financing the costs of school building facilities. The board members of the Monroe County Board of Education also comprise the Corporation’s Board of Directors.

**MONROE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS- CONTINUED
JUNE 30, 2013**

▪ **BASIS OF PRESENTATION**

District-wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the District as a whole. They include all funds of the District except for the fiduciary funds. The statements distinguish between governmental and business activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed in whole or part with fees charged to external customers and grant proceeds.

The District-Wide Financial Statements are prepared using the economic 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 includes reconciliation with a brief explanation to better identify the relationship between the District-Wide Financial Statements and the statements for governmental funds.

The District-Wide Financial Statements presents a comparison between direct expense and program revenue 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 grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and charges paid by the recipient of the goods and services offered by the 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 identifies the extent to which each business segments or governmental function is self-financing or draws from the general revenues of the District.

In the District-Wide Financial Statements of Net Position and Statement of Activities, both governmental and business-type 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 and exchange-like transactions are recognized when the exchange takes place.

**MONROE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS- CONTINUED
JUNE 30, 2013**

Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements, each of which is considered to be a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

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

The accounting and financial 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 sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary funds utilize 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.

MONROE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS- CONTINUED
JUNE 30, 2013

The fiduciary funds are reported using the economic resources measurement focus.

Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them. In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The district has the following funds described below:

I. Governmental Funds

Major Funds

- A. The General Fund is the primary operating fund of the District and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. Restrictions have been placed on the fund balance for accrued sick leave (Note D).

- B. The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts debt service, enterprise funds, or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial assistance programs where unused balances are returned to the grantor at the close of specified project periods, as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. In additions, The Kentucky Department of Education Technology System (KETS) allocation and local district matching funds are being recorded in the special revenue fund as required by the Kentucky Department of Education (KDE) and has deemed this fund always be classified as a major fund. These funds are restricted for the purchase of technology consistent with the District's approved technology plan.

MONROE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS- CONTINUED
JUNE 30, 2013

Non-major Funds

- A. The Debt Service Fund accounts for the accumulation of financial resources for the payment of principal, interest, and related costs on the general long-term debt of the District, including the payment of interest on general obligation notes payable, as required by Kentucky law.

- B. Capital Project Funds are used to account for financial resources restricted for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds). The District's Capital Project Fund includes:
 - 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) Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.

- C. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorization construction.

II. Proprietary Funds

Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods and services. The District's enterprise funds are the School Food Service Fund and the Day Care operated by the district. The School Food Service Fund is used to account for the financial transactions related to the food service operations of the District including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contributions of commodities from the USDA. The District applies all GASB pronouncements to proprietary funds as well as the Financial Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

MONROE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS- CONTINUED
JUNE 30, 2013

III. Fiduciary Funds

Agency Funds

Agency funds account for assets held by the District in a purely custodial capacity. Since agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations.

- A. The School Activity Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with *Uniform Program of Accounting for School Activity Funds*.

Private-Purpose Trust Funds

The Private-Purpose Trust Funds can only be used to award scholarships for needy students.

▪ **BASIS OF ACCOUNTING**

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements (Statements and Interpretations).

▪ **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.

▪ **ACCOUNTS RECEIVABLE**

Receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include federal and state funding and taxes. Amounts on the statements are net of allowance for doubtful accounts.

**MONROE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS- CONTINUED
JUNE 30, 2013**

▪ **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 foods held for resale and are expensed when used. Purchased food is valued at cost and U.S. Government donated commodities value is determined by the U.S. Department of Agriculture.

▪ **CAPITAL ASSETS**

District-Wide Financial Statements

In the District-Wide Financial Statements, capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. The District maintains a capitalization threshold of one thousand dollars with the exception of computers and technology equipment for which there is no threshold. The cost of normal maintenance and repairs that do not add value or materially extend an asset's life are expensed.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statements of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings and Improvements.....	25-50 years
Land Improvements.....	20 years
Technology Equipment.....	5 years
Vehicles.....	5-10 years
Food Service Equipment.....	10-12 years
Furniture and Fixtures.....	7 years
Other General Equipment.....	5-15 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as expenditures of the governmental fund. Capital assets used in proprietary fund operations are accounted for the same as in the District-Wide Financial Statements.

**MONROE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS- CONTINUED
JUNE 30, 2013**

▪ **ACCRUED LIABILITIES AND LONG-TERM DEBT**

District-Wide Financial Statements

All payables, accrued liabilities and long-term debt obligations are reported in the District-Wide financial statements. In general long-term debt to be repaid from governmental resources is reported as liabilities in the District-Wide Financial Statements. The long-term debt consists primarily of capital lease obligations, compensated absences and bond obligations.

Fund Financial Statements

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources and are reported as obligations of the fund. Long-term debt is not reported as liabilities in the fund financial statements. The debt proceeds are reported as revenue and payment of principal and interest reported as expenditures. There are no long-term debt obligations recorded in the Proprietary Funds as these funds are not responsible for paying the debt.

▪ **COMPENSATED ABSENCES**

District-Wide Financial Statements

The District uses the vesting method to compute compensated absences for sick leave. Sick leave benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits at termination. The District records a liability for accumulated unused sick leave when earned for all employees with more than five years of service.

The entire compensated absence liability is reported on the District-Wide Financial Statements. The current portion of this debt is estimated based on employees who have twenty-seven years of service as of June 30, 2013 and is calculated at thirty percent of their total accumulated sick leave.

**MONROE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS- CONTINUED
JUNE 30, 2013**

Fund Financial Statements

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. The noncurrent portion of the liability is not reported. No liability is accrued in the Proprietary Fund.

▪ EQUITY CLASSIFICATIONS

District-Wide Financial Statements

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

Invested in capital assets, net of related debt - Consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets – Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, or laws or regulations, or 2) law through constitutional provisions or enabling legislation.

Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

Fund Financial Statements

The District implemented GASB No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, in fiscal year 2011. In the fund statements, governmental funds are required to report the following classification of fund balance as applicable:

- Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. The District has not reported any amounts that are nonspendable for the year ended June 30, 2013.
- Restricted – includes amounts restricted by external sources (creditors, grantors, laws of other governments, etc.) or by constitutional provision or enabling legislation.
- Committed – fund balance is reported pursuant orders passed by the Board, the District’s highest level of decision making authority. Commitments may be modified or rescinded only through orders approved by the Board.

MONROE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS- CONTINUED
JUNE 30, 2013

- Assigned – includes amounts that the District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. The District has not adopted a policy on who may assign funds for specific uses.
- Unassigned – includes amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the general fund. The district reports all amounts that meet the unrestricted General Fund Balance procedures described below as unassigned.

When restricted and other fund balance resources are available for use, it is the District's policy to use restricted resources first, followed by committed, assigned, and unassigned amounts, respectively.

Proprietary Fund equity is classified the same as in the District-Wide Financial Statements.

- ENCUMBRANCE ACCOUNTING

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying combined financial statements. No fund balances of the respective funds have been reserved for outstanding encumbrances at June 30, 2013.

- REVENUES – EXCHANGE AND NON-EXCHANGE TRANSACTIONS

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is not recognized until there is an enforceable legal claim. However, for the District, an enforceable legal claim arises after the period for which taxes are levied. Property taxes receivable are recognized in the same period that the revenues are recognized. The property taxes are normally levied in September. On the modified accrual basis of accounting, assets and revenues from property taxes are 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.

**MONROE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS- CONTINUED
JUNE 30, 2013**

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

- CONTRIBUTIONS OF CAPITAL

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

- DEFERRED REVENUE

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

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

- OPERATING AND NON-OPERATING REVENUES

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. Those revenues are primarily charges for meals provided by the various schools and for childcare services provided. Non-operating revenues included grants, donations, and interest income.

- ECONOMIC DEPENDENCY

The continued operation of Monroe County School District is dependent upon the continued federal and state support of the various District programs. The non-funding of one or several of these programs could result in a reduction to the operations and staff necessary to maintain the District at its current level.

**MONROE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS- CONTINUED
JUNE 30, 2013**

▪ PROPERTY TAXES

Property taxes collected are reported as revenues in the fund for which they are levied. Property taxes are based on property valuations on January 1, of each year. The tax rate is generally agreed to by the Board in the following September meeting, and contingent upon state approval, the tax collection date is the period from September 15 through December 31. Collections from the period September 15 through November 1 receive a two percent discount. The due date is the period from November 2 through December 31 in which no discount is allowed. Property taxes received subsequent to December 31 are considered to be delinquent and subject to a lien being filed by the County Attorney.

The property tax rates assessed for the year ended June 30, 2013, to finance the General Fund operations were \$.459 per \$100 valuation for real property, \$.459 per \$100 valuation for business personal property, and \$.562 per \$100 valuation for motor vehicles.

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

▪ ESTIMATES

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

▪ BUDGETARY PRINCIPLES

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 actual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when the obligation is incurred (GAAP).

**MONROE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS- CONTINUED
JUNE 30, 2013**

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Per Board policy, only amendments that aggregate greater than \$50,000 require Board approval. Such amendments 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.

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.

▪ INTERFUND ACTIVITY

Exchange transactions between funds are reported as revenues in the seller funds and as expenditure/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are recorded as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and as 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 in the financial statements.

▪ INTERFUND BALANCES

Each fund is a distinct fiscal and accounting entity, and thus interfund transactions are recorded in each fund affected by a transaction. During the year the General Fund receives and disburses funds that relate to other funds or activities, such as the School Food Service Fund, the School Activity Fund, SEEK Capital Outlay Fund, Debt Service Fund, Special Revenue Fund, and the School Construction Fund. Transfers are then made between the various funds to more properly reflect the nature of the transactions. At June 30, 2013, substantially all such transfers had been made and no significant interfund payables or receivables existed.

NOTE B – CASH

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to KRS 160.570 and 702 KAR 3:090. The depository bank deposits for safekeeping and trusts with the District's third party agent approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount on Federal Deposit Insurance Corporation (FDIC) insurance.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District's cash and cash equivalents consisted of checking accounts with local banks. The District does not have a deposit policy for custodial credit risk. As of June 30, 2013, the District's bank balance was \$837,242. \$250,000 of the District's bank balance was covered by FDIC and the other \$587,242 was collateralized with collateral held by pledging bank's trust department in the District's name.

MONROE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS- CONTINUED
JUNE 30, 2013

Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. Investments are made under the "prudent advisor" standard outlined in the District's investment policy to ensure that 9a) due diligence is exercised in accordance with state law, (b) any negative deviations are reported timely, and (c) reasonable action is taken to control any adverse developments.

Kentucky Revised Statutes authorize the District to invest in direct obligations of the United States government, obligations backed by the full faith and credit of the United States government, certificates of deposit or other interest bearing accounts issued by any bank or savings and loan institution provided that such investment is insured by the FDIC or guaranteed by the pledge of direct United States government obligations, bonds issued by the Commonwealth of Kentucky or one of its agencies and instrumentalities, securities issued by any state or local government of the United States rated in one of the three highest categories by a nationally recognized rating agency, or bankers' acceptances for banks rated in one of the three highest categories by a nationally recognized rating agency.

Due to the nature of the accounts and certain limitations imposed on the use of funds, each bank account within the following funds is considered restricted: SEEK Capital Outlay Fund, Facility Support Program (FSPK) Fund, Technology Funds, (accounted for within the Special Revenue Fund), Special Revenue Fund, Debt Service Fund, Bond Proceeds Fund, School Construction Fund, School Food Service Fund, and School Activity Funds.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of investments will adversely affect the fair value of an investment. The District's formal investment policy does limit investment maturities as a means of managing its exposure to fair value losses arising from inverting interest rates.

To the extent possible, the District will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow need, the District's funds should not, in general, be invested in securities maturing more than two years from the date of purchase. However, the District may collateralize its repurchase agreements using longer dated investments in securities exceeding five years to maturity.

MONROE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS- CONTINUED
JUNE 30, 2013

Concentration of Credit Risk

The District recognizes that some level of risk is inherent in any investment transaction. Losses may be incurred due to issuer default, market price changes, or closing investments prior to maturity due to unanticipated cash flow needs. Diversification of the District's investment portfolio by institution, type or investment instrument, and term to maturity is the primary method to minimize investment risk.

The total cash balance of the District at June 30, 2013 was \$837,242 of which \$584,032 is governmental activities; \$(78,666) is business-type activities. \$331,876 of cash is in agency funds. For the purpose of the cash flow statements, cash consists of all enterprise fund bank accounts.

NOTE C – CAPITAL ASSETS

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

Governmental Activities	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Capital assets not depreciated:				
Land	\$ 531,690	\$ -	\$ -	\$ 531,690
Total Nondepreciable Historical Cost	531,690	-	-	531,690
Capital assets that are depreciated:				
Land Improvements	\$ 307,355	\$ -	\$ -	\$ 307,355
Buildings & Building Improvements	39,195,304	-	-	39,195,304
Technology Equipment	1,542,640	27,825	(46,613)	1,523,852
Vehicles	1,601,368	-	-	1,601,368
General Equipment	380,133	6,000	(1,013)	385,120
Total Depreciable Historical Cost	\$43,026,800	\$ 33,825	\$ (47,626)	\$43,012,999
Less accumulated depreciation for:				
Land Improvements	\$ 307,355	\$ -	\$ -	\$ 307,355
Buildings & Building Improvements	12,223,165	888,396	-	13,111,561
Technology Equipment	1,316,930	113,009	(46,048)	1,383,891
Vehicles	1,294,254	76,250	-	1,370,504
General Equipment	238,842	21,477	(1,013)	259,306
Total Accumulated Depreciation	\$15,380,546	\$ 1,099,132	\$ (47,061)	\$16,432,617
Governmental Activities, Capital Assets, Net	<u>\$28,177,944</u>	<u>\$ (1,065,307)</u>	<u>\$ (565)</u>	<u>\$27,112,072</u>

**MONROE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS- CONTINUED
JUNE 30, 2013**

Business-Type Activities	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Capital assets that are depreciated:				
Buildings & Building Improvements	\$ 1,712,774	\$ -	\$ -	\$ 1,712,774
Technology Equipment	15,737	-	(609)	15,128
General Equipment	<u>704,743</u>	<u>6,913</u>	<u>-</u>	<u>711,656</u>
Total Depreciable Historical Cost	\$ 2,433,254	\$ 6,913	\$ (609)	\$ 2,439,558
Less accumulated depreciation for:				
Buildings & Building Improvements	\$ 409,792	\$ 34,255	\$ -	\$ 444,047
Technology Equipment	10,845	1,416	\$ (609)	11,652
General Equipment	<u>464,892</u>	<u>37,513</u>	<u>-</u>	<u>502,405</u>
Total Accumulated Depreciation	<u>\$ 885,529</u>	<u>\$ 73,184</u>	<u>\$ (609)</u>	<u>\$ 958,104</u>
Business-Type Activities, Capital Assets, Net	<u>\$ 1,547,725</u>	<u>\$ (66,271)</u>	<u>\$ -</u>	<u>\$ 1,481,454</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 937,015
Support Services:	
Student	4,812
Instructional Staff	1,660
District Administration	6,228
School Administration	2,386
Business	16,359
Plant Operations & Maintenance	52,330
Student Transportation	<u>78,341</u>
Total Depreciation Expense	<u>\$ 1,099,131</u>

NOTE-D - LONG -TERM OBLIGATIONS

Bonds Payable

The amount shown in the accompanying financial statements as bond obligation represents the District's future obligations to make bond payments relating to the bonds issued by the Monroe County School District Finance Corporation.

**MONROE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS- CONTINUED
JUNE 30, 2013**

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

<u>Issue Date</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
1994	275,000	3.75%-6.00%	August 1, 2014
2003 KISTA	177,676	2.00%-3.70%	March 1, 2013
2004 KISTA	182,664	1.00%-3.50%	June 1, 2021
2004	5,390,000	2.90%-4.40%	August 1, 2024
2004E	1,745,000	2.35%-4.30%	December 1, 2022
2005 KISTA	184,714	3.00%-3.625%	March 1, 2015
2005	1,345,000	3.00%-4.125%	July 1, 2014
2005B	5,100,000	3.50%-4.20%	January 1, 2026
2006 KISTA	199,252	3.30%-4.00%	March 1, 2016
2006 KISTA	83,785	3.50%-3.875%	March 1, 2017
2006	620,000	3.50%-4.00%	December 1, 2023
2008 KISTA	162,600	3.00%-3.75%	March 1, 2018
2008	2,150,000	3.755-4.625%	October 1, 2028
2010	3,155,000	1.00%-2.75%	June 30, 2021
2012	2,475,000	.60%-2.375%	October 1, 2023
2013	4,805,000	1.00%-1.00%	November 1, 2029

In 2003, the District issued \$1,000,000 of Qualified Zone Academy Bonds (QZAB). The bonds were approved for Tompkinsville Elementary School renovation. As stated in the agreement, \$544,900 of the proceeds was used to purchase U.S. government securities. In 2004, the District issued \$500,000 Qualified Zone Academy Bonds (QZAB). The bonds were approved for Gamliel Elementary School renovation. As stated in the agreement, \$259,940 of the proceeds was used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the \$1,500,000 bond issue. As a result, the \$1,500,000 QZAB's are considered to be defeased and the liability for those bonds has been removed from the District-wide statement of net assets. The refunding of the bonds resulted in a gain of \$455,100. The gain of \$455,100 will be amortized to operations over the bond's life of 15 years using the effective straight-line method.

MONROE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS- CONTINUED
JUNE 30, 2013

The District, through the General Fund, (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make these lease payment in amounts sufficient to satisfy debt service requirements on bonds issued by the Monroe 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 District has entered into “participation agreements” with the Kentucky School Facilities Construction Commission (SFCC). The Commission was created by the Kentucky Legislature for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amounts to be paid by the District and the Commission for each year until maturity of all bonds issues. The liability for the total bond amounts remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

**MONROE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS- CONTINUED
JUNE 30, 2013**

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

Year Ending <u>June 30</u>	<u>Monroe County School District</u>			<u>Kentucky School Facilities</u>			<u>Total Debt Service</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2013-14	\$ 1,090,035	\$ 400,159	\$ 1,490,194	\$ 239,965	\$ 46,341	\$ 286,306	\$ 1,776,500
2014-15	1,124,313	376,627	1,500,940	240,687	40,618	281,305	1,782,245
2015-16	1,135,201	350,714	1,485,915	224,799	35,628	260,427	1,746,342
2016-17	1,168,578	323,193	1,491,771	231,422	31,101	262,523	1,754,294
2017-18	1,208,670	301,699	1,510,369	236,330	26,366	262,696	1,773,065
2018-19	1,229,619	278,723	1,508,342	220,381	21,566	241,947	1,750,289
2019-20	1,258,758	253,634	1,512,242	151,242	17,445	168,687	1,681,079
2020-21	1,296,924	226,851	1,523,775	158,076	13,927	172,003	1,695,778
2021-22	1,353,890	196,875	1,550,765	106,110	10,058	116,168	1,666,933
2022-23	1,381,303	166,343	1,547,646	108,697	7,471	116,168	1,663,814
2023-24	1,237,145	138,338	1,375,483	97,855	4,887	102,742	1,478,225
2024-25	1,225,976	111,550	1,337,526	14,024	3,019	17,043	1,354,569
2025-26	935,330	84,701	1,020,031	14,670	2,374	17,044	1,037,075
2026-27	534,651	63,775	598,426	15,349	1,694	17,043	615,469
2027-28	553,931	38,802	592,733	16,069	974	17,043	609,776
2028-29	<u>561,985</u>	<u>12,996</u>	<u>574,981</u>	<u>13,015</u>	<u>301</u>	<u>13,316</u>	<u>588,297</u>
	<u>\$17,296,309</u>	<u>\$3,324,980</u>	<u>\$20,621,289</u>	<u>\$ 2,088,691</u>	<u>\$ 263,770</u>	<u>\$2,352,461</u>	<u>\$22,973,750</u>

The debt service fund is primarily responsible for paying the bond obligations through funding from the capital outlay and FSPK funds.

**MONROE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS- CONTINUED
JUNE 30, 2013**

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

	<u>Balance July 1, 2012</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2013</u>	<u>Amounts Due within one year</u>
Governmental Activities					
Bonds and Notes Payable					
General obligation debt	\$ 19,650,000	\$ -	\$ (265,000)	\$ 19,385,000	\$ 1,330,000
Deferred gain on QZAB bonds	<u>207,720</u>	<u>-</u>	<u>(41,544)</u>	<u>166,176</u>	<u>-</u>
Total Bonds and Notes Payable	\$ 19,857,720	\$ -	\$ (306,544)	\$ 19,551,176	\$ 1,330,000
Other Liabilities					
Accrued sick leave	\$ 457,931	\$ -	\$ (248,836)	\$ 209,095	\$ 80,350
Capital lease obligation	<u>481,663</u>	<u>-</u>	<u>(117,932)</u>	<u>363,731</u>	<u>97,621</u>
Total Other Liabilities	<u>\$ 939,594</u>	<u>\$ -</u>	<u>\$ (366,768)</u>	<u>\$ 572,826</u>	<u>\$ 177,971</u>
Total Long-term Liabilities	<u>\$ 20,797,314</u>	<u>\$ -</u>	<u>\$ (673,312)</u>	<u>\$ 20,124,002</u>	<u>\$ 1,507,971</u>

Capital Leases

The following is a schedule by year of the future minimum lease payments under capital leases (primarily buses).

<u>Monroe County School District</u>			
<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2014	97,621	12,348	109,969
2015	79,279	9,166	88,445
2016	62,011	6,524	68,535
2017	41,036	4,389	45,425
2018	33,605	3,021	36,626
2019	18,384	1,876	20,260
2020	15,631	1,233	16,864
2021	<u>16,164</u>	<u>647</u>	<u>16,811</u>
	<u>\$363,731</u>	<u>\$ 39,204</u>	<u>\$402,935</u>

MONROE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS- CONTINUED
JUNE 30, 2013

All assets acquired under capital leases are included in the District-Wide Financial Statements within “depreciated capital assets” and, accordingly, are depreciated. On the governmental fund financial statements, payments on capital lease obligations are recognized as expenditures.

The amount shown in the accompanying District-Wide Financial Statements as lease obligations represents the District’s future obligations to make lease payments relating to school building revenue bonds issued by the Monroe County Fiscal Court (the Fiscal Court) and the Monroe County School District Finance Corporation (the Finance Corporation) on behalf of the District for purposes of school facility construction. These amounts are not reflected on the fund financial statements.

The General Fund, SEEK Capital Outlay Fund, and the FSPK Building Fund are obligated to make lease payments. The lease agreements provide, among other things, for rentals sufficient to satisfy debt service requirements on bonds issued by the Fiscal Court or the Finance Corporation to construct school facilities and the District with the option to purchase the property under lease at any time by retiring the bonds then outstanding. Upon completion of such payments, the leased premises should become the property of the District. The District must generally make sinking fund payments by the fifteenth day of the month prior to scheduled bond and interest payment dates. The District is also obligated to maintain adequate property insurance on the school facilities and the school facilities have been pledged as security to the holders of the bonds.

The District has “participation agreements” with the Kentucky School Facilities Construction 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 statements.

Operating Leases

The School Board leases office equipment under an operating lease. Total costs for such leases were approximately \$29,318 for the year ended June 30, 2013. The future minimum lease payments for these leases are as follows:

Year Ending June 30:

2014	\$ 25,318
2015	25,318
2016	<u>10,549</u>
	<u>\$ 61,185</u>

**MONROE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS- CONTINUED
JUNE 30, 2013**

Accumulated Unpaid Sick Leave Benefits

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

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 estimated liability is based on the School District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accumulated sick leave payable" in the general fund. The noncurrent portion of the liability is not reported.

NOTE E – RETIREMENT PLANS

KENTUCKY TEACHERS' RETIREMENT SYSTEM

Pension Plan

The Monroe County Public Schools participates in the Kentucky Teachers' Retirement System of the State of Kentucky, a component unit of the Commonwealth of Kentucky (KTRS) and the County Employees Retirements System, a component unit of the Commonwealth of Kentucky (KTRS) and the County Employees Retirement System, a component unit of the commonwealth of Kentucky (CERS), cost-sharing, multiple employer defined benefit pension plans. KTRS and CERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. 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). Under the provisions of KRS Section 61.645, the Board of Trustees of Kentucky Retirement Systems (KERS) administers the CERS. The KTRS and CERS 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, Y 40601 or from the KTRS website at <http://ktrs.ky.gov/>. CERS' report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park Weat, 1260 Louisville Road, Frankfort, KY 40601 or by calling (502) 564-5656.

MONROE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS- CONTINUED
JUNE 30, 2013

Funding Policy – Contribution rates are established by KRS. Members are required to contribute 10.855% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries for members before July 1, 2008 and 14.105% of salaries for members after July 1, 2008. The federal program for any salaries paid by that program pays the matching contribution of 14.105%. Effective July 1, 2011, employer contribution for non-federal funded employee salaries is 1.0%. The rate for CERS is 19.55%, 18.96%, 16.93%, and 16.16% for the years ended June 30, 2013, 2012, 2011 and 2010, respectively, of covered annual payroll. The contribution requirements of the plan members, the District and Commonwealth of Kentucky are established and may be amended by the Plans' Board of Trustees. The District's contributions to CERS for the years ended June 30 2013, 2012, 2011, and 2010 were \$574,218, \$605,918, \$530,023, and \$483,509, respectively, equal to the required contributions for each year.

For the year ended June 30, 2013 the Commonwealth contributed \$987,303 to the KTRS for the benefit of the District's participation employees. The District's contributions to the KTRS for the year ended June 30, 2013 were \$306,333 which represents those employees covered by federal programs.

Medical Insurance Plan

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

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

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

MONROE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS- CONTINUED
JUNE 30, 2013

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 or no administrative involvement that do not perform the investing function for these plans to omit plan assets and related liabilities from their financial statements. The District therefore does not show these assets and liabilities on this financial statement.

NOTE F – ON-BEHALF PAYMENTS

For the year ended June 30, 2013, the Commonwealth of Kentucky contributed estimated payments on-behalf of the District's employees of \$3,485,391 to the health insurance carriers and the flexible spending account vendors. GASB Statements No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, establishes accounting and reporting standards for on-behalf payments. In accordance with the standard, the District recognized an expense and revenue for this payment on the District-Wide Financial Statements.

NOTE G – 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 the grantor's review indicated that the funds have not 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 unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantor's satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

**MONROE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS- CONTINUED
JUNE 30, 2013**

NOTE H – INSURANCE AND RISK MANAGEMENT

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

The District is also exposed to various risks of loss related to torts, errors and omissions, injuries to employees, and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage.

Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance Fund pays insurance premiums of the participation members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reasons by giving ninety (90) days' notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which was provided) would be returned to the member on a pro rata basis.

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

**MONROE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS- CONTINUED
JUNE 30, 2013**

NOTE I – LITIGATION

The District is subject to various legal actions in various states of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the combined financial statements as a result of the cases presently in progress, except as described elsewhere in this report.

NOTE J – DEFICIT OPERATING BALANCES

No funds of the District currently have a deficit fund balance or net position. However, the following funds had excess current year expenditures over current year appropriated revenues resulting in a corresponding reduction of fund balance:

<u>Fund</u>	<u>Amount</u>
Special Revenue	\$30,000

NOTE K – TRANSFER OF FUNDS

Interfund transfers are eliminated in the governmental and business-type activities columns of the district-wide statement of net assets. As reflected on the fund financial statements, the following transfers were made during the year:

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Debt Service	Debt Service	\$ 344,248
Capital Outlay	Debt Service	Debt Service	169,620
Building	Debt Service	Debt Service	407,768
Food Service	General Fund	Expense Reimbursement	<u>93,258</u>
Total			<u>\$1,014,894</u>

NOTE L – SUBSEQUENT EVENTS

The District has evaluated subsequent events through November 4, 2013, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

MONROE COUNTY SCHOOL DISTRICT
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES- BUDGET AND ACTUAL
GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2013

	BUDGETED AMOUNTS		ACTUAL	Variance With Final Budget Favorable (Unfavorable)
	ORIGINAL	FINAL		
REVENUES:				
From local sources:				
Taxes:				
Property	\$ 1,157,432	\$ 1,244,000	\$ 1,461,798	\$ 217,798
Motor vehicle	272,000	267,000	298,993	31,993
Utilities	820,000	820,000	827,706	7,706
Earnings on investments	15,000	15,000	24,457	9,457
Other local revenues	39,483	42,800	57,386	14,586
Intergovernmental - state	8,593,025	8,325,223	11,541,711	3,216,488
Intergovernmental - direct federal	10,000	15,000	21,995	6,995
TOTAL REVENUES	\$ 10,906,940	\$ 10,729,023	\$ 14,234,046	\$ 3,505,023
EXPENDITURES:				
Current:	\$ 5,671,231	\$ 5,563,495	\$ 7,397,779	\$ (1,834,284)
Instruction				
Support Services: Student	631,517	531,826	695,687	(163,861)
Instructional staff	443,448	621,476	844,663	(223,187)
District administration	412,759	394,307	428,143	(33,836)
School administration	1,033,259	1,018,628	1,338,973	(320,345)
Business	579,273	442,753	478,900	(36,147)
Plant operations and maintenance	1,848,971	1,852,837	1,955,620	(102,783)
Student transportation	998,442	982,915	1,012,128	(29,213)
Community service activities:	14,160	14,824	20,609	(5,785)
Contingency	462,179	389,159	-	389,159
TOTAL EXPENDITURES	\$ 12,095,239	\$ 11,812,220	\$ 14,172,502	\$ (2,360,282)
Excess (deficit) of revenues over expenditures	\$ (1,188,299)	\$ (1,083,197)	\$ 61,544	\$ 1,144,741
OTHER FINANCING SOURCES (USES):				
Sale of Assets	\$ 14,506	\$ -	\$ 7,389	7,389
Operating transfers in	-	-	149,887	149,887
Operating transfers out	(331,499)	(334,248)	(344,248)	(10,000)
TOTAL OTHER FINANCING SOURCES (USES)	\$ (316,993)	\$ (334,248)	\$ (186,972)	\$ 147,276
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	\$ (1,505,292)	\$ (1,417,445)	\$ (125,428)	\$ 1,292,017
FUND BALANCES, July 1, 2012	1,500,446	1,500,446	1,500,446	-
FUND BALANCES, June 30, 2013	\$ (4,846)	\$ 83,001	\$ 1,375,018	\$ 1,292,017

Both inflows and outflow are equally different in the Schedule of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds by the amount of on-behalf payments of \$3,199,351

MONROE COUNTY SCHOOL DISTRICT
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES- BUDGET AND ACTUAL
SPECIAL REVENUE FUND

FOR THE YEAR ENDED JUNE 30, 2013

	BUDGETED AMOUNTS		ACTUAL	Variance
	ORIGINAL	FINAL		With Final Budget Favorable (Unfavorable)
REVENUES:				
From local sources				
Earnings on investment:	\$ -	\$ -	\$ -	\$ -
Other local revenue:	9,750	53,500	311,237	257,737
Intergovernmental - state	948,559	979,881	1,020,386	40,505
Intergovernmental - indirect federal	1,912,089	2,383,483	2,608,890	225,407
Intergovernmental-direct federal		7,236	6,855	(381)
TOTAL REVENUES	\$ 2,870,398	\$ 3,424,100	\$ 3,947,368	\$ 523,268
EXPENDITURES:				
Current:				
Instruction	\$ 1,839,852	\$ 2,563,989	\$ 2,975,010	\$ (411,021)
Support Services				
Student	301,217	320,621	317,383	3,238
Instructional staff	491,644	319,818	351,821	(32,003)
Plant operations and maintenance		-	88,627	(88,627)
Student transportation	50,000	43,000	43,307	(307)
Community service activities	207,685	196,672	201,220	(4,548)
TOTAL EXPENDITURES	\$ 2,890,398	\$ 3,444,100	\$ 3,977,368	\$ (533,268)
Excess (deficit) of revenues over expenditures	\$ (20,000)	\$ (20,000)	\$ (30,000)	\$ (10,000)
OTHER FINANCING SOURCES (USES):				
Operating transfers in	\$ 20,000	\$ 20,000	\$ 30,000	\$ 10,000
Operating transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	\$ 20,000	\$ 20,000	\$ 30,000	\$ 10,000
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	\$ -	\$ -	\$ -	\$ -
FUND BALANCES, July 1, 2012	-	-	-	-
FUND BALANCES, June 30, 2013	\$ -	\$ -	\$ -	\$ -

SUPPLEMENTARY INFORMATION

MONROE COUNTY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NON MAJOR GOVERNMENTAL FUNDS

June 30, 2013

	FSPK FUND	SEEK CAPITAL OUTLAY FUND	DEBT SERVICE FUND	CONSTRUCTION FUND	TOTAL NONMAJOR FUNDS
Assets					
Cash and cash equivalents	\$ 5,741	\$ 750	\$ -	\$ -	\$ 6,491
Total assets	<u>\$ 5,741</u>	<u>\$ 750</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,491</u>
Fund Balances					
Restricted					
SFCC Escrow	\$ 5,741	\$ 750	\$ -	\$ -	\$ 6,491
-	-	-	-	-	-
Total fund balances	<u>\$ 5,741</u>	<u>\$ 750</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,491</u>

MONROE COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2013

	FSPK FUND	SEEK CAPITAL OUTLAY FUND	DEBT SERVICE FUND	CONSTRUCTION FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES:					
From local sources:					
Taxes:					
Property	\$ 407,768	\$ -	\$ -	\$ -	\$ 407,768
Other local revenue					
Intergovernmental - state	-	169,620	1,108,017	7,372	1,285,009
TOTAL REVENUES	<u>\$ 407,768</u>	<u>\$ 169,620</u>	<u>\$ 1,108,017</u>	<u>\$ 7,372</u>	<u>\$ 1,692,777</u>
EXPENDITURES:					
Current:					
Debt service					
Principal	\$ -	\$ -	\$ 1,297,902	\$ -	\$ 1,297,902
Interest	-	-	645,122	-	645,122
Building Renovations	-	-	-	7,372	7,372
TOTAL EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,943,024</u>	<u>\$ 7,372</u>	<u>\$ 1,950,396</u>
Excess (deficit) of revenues over expenditures	<u>\$ 407,768</u>	<u>\$ 169,620</u>	<u>\$ (835,007)</u>	<u>\$ -</u>	<u>\$ (257,619)</u>
OTHER FINANCING SOURCES (USES):					
Operating transfers in	\$ -	\$ -	\$ 835,007	\$ -	\$ 835,007
Operating transfers out	(407,768)	(169,620)	-	-	(577,388)
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ (407,768)</u>	<u>\$ (169,620)</u>	<u>\$ 835,007</u>	<u>\$ -</u>	<u>\$ 257,619</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCES, July 1, 2012	<u>5,741</u>	<u>750</u>	<u>-</u>	<u>-</u>	<u>6,491</u>
FUND BALANCES, June 30, 2013	<u>\$ 5,741</u>	<u>\$ 750</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,491</u>

MONROE COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
JUNE 30, 2013

	Monroe County High School	Monroe County Middle School	Thompkins- ville Elementary School	J.H. Carter Elementary School	Gamaliel Elementary School	Community Resource Center	Total
ASSETS							
Cash	\$ 91,109	\$ 86,206	\$ 39,005	\$ 69,658	\$ 44,963	\$ 935	\$ 331,876
Receivables	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 91,109	\$ 86,206	\$ 39,005	\$ 69,658	\$ 44,963	\$ 935	\$ 331,876
LIABILITIES							
Liabilities:							
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to Student Groups	91,109	86,206	39,005	69,658	44,963	935	331,876
TOTAL LIABILITIES	\$ 91,109	\$ 86,206	\$ 39,005	\$ 69,658	\$ 44,963	\$ 935	\$ 331,876

MONROE COUNTY SCHOOL DISTRICT
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND DUES TO STUDENT GROUPS
MONROE COUNTY HIGH SCHOOL
FOR THE YEAR ENDED JUNE 30, 2013

NAME OF ACTIVITY:	CASH			CASH		ACCOUNTS	DUES TO
	BALANCES July 1, 2012	RECEIPTS	DISBURSEMENTS	BALANCES June 30, 2013	RECEIVABLES June 30, 2013	PAYABLE June 30, 2013	STUDENT GROUPS June 30, 2013
Academic Team	\$ 794	\$ 1,350	\$ 292	\$ 1,852	\$ -	\$ -	\$ 1,852
Academic Achiever	1,984	-	258	1,726	-	-	1,726
Annual staff	10,155	48,062	56,980	1,237	-	-	1,237
Art Club	94	105	161	38	-	-	38
Athletic	-	90,572	85,088	5,484	-	-	5,484
Boys Basketball	930	8,172	6,077	3,025	-	-	3,025
Baseball Account	-	20,431	20,431	-	-	-	-
Beta Club	1,567	8,622	10,189	-	-	-	-
Book Club	261	-	261	-	-	-	-
Book Store	-	257	257	-	-	-	-
Cheerleaders	1,157	25,083	26,240	-	-	-	-
Cola Account- Lounge	158	2,260	2,225	193	-	-	193
Cola Account- Students	983	1,337	1,270	1,050	-	-	1,050
Concessions	2,280	23,615	23,022	2,873	-	-	2,873
Cross Country	95	4,057	4,152	-	-	-	-
Culinary Class	-	-	-	-	-	-	-
Entrepreneur Club	1,521	4,420	5,008	933	-	-	933
English Dept	-	1,361	1,354	7	-	-	7
Football	-	44,651	44,651	-	-	-	-
FCA	482	-	14	468	-	-	468
FCCLA	7	6,295	6,299	3	-	-	3
FFA	3,178	11,813	10,458	4,533	-	-	4,533
FFA Special	1,425	-	772	653	-	-	653
Fishing Team	-	4,208	3,674	534	-	-	534
FFA Greenhouse	23,706	8,208	6,093	25,821	-	-	25,821
FMD/CBI	1,680	6,022	7,702	-	-	-	-
Foreign Language	496	1,431	1,247	680	-	-	680
Girls Basketball	100	20,464	20,564	-	-	-	-
General Fund	822	8,062	2,519	6,365	-	-	6,365
Golf	2,613	3,188	2,991	2,810	-	-	2,810
Guidance Department	355	4,047	3,757	645	-	-	645
Interest	10,771	965	8,824	2,912	-	-	2,912
Library	716	1,543	2,104	155	-	-	155
Math Club	-	-	-	-	-	-	-
Media Productions	929	426	873	482	-	-	482
Mini Grant	-	-	-	-	-	-	-
Music	3,465	2,290	3,088	2,667	-	-	2,667
Pep Club	347	3,350	3,195	502	-	-	502
Science	315	-	54	261	-	-	261
Snack Cart	1,513	19,819	17,028	4,304	-	-	4,304
Soar	4,809	3,717	2,864	5,662	-	-	5,662
Soccer	3,689	5,005	4,471	4,223	-	-	4,223
Softball	3,903	1,243	2,411	2,735	-	-	2,735
Student Tech	150	438	14	574	-	-	574
Seniors 2011	-	-	-	-	-	-	-
Seniors 2012	4,717	264	4,981	-	-	-	-
Seniors 2013	-	18,932	18,932	-	-	-	-
Seniors 2014	-	12,980	9,269	3,711	-	-	3,711
Seniors 2015	-	800	800	-	-	-	-
Tennis	1,139	2,506	2,657	988	-	-	988
Track	-	2,389	2,389	-	-	-	-
Volleyball	-	7,175	7,175	-	-	-	-
Yclub	805	252	54	1,003	-	-	1,003
TOTALS	\$ 94,111	\$ 442,187	\$ 445,189	\$ 91,109	\$ -	\$ -	\$ 91,109

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

FEDERAL GRANTOR/ PASS - THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	FEDERAL EXPENDITURES
U.S DEPARTMENT OF AGRICULTURE			
Passed through Statement Department of Education:			
Children Nutrition Cluster:			
School Breakfast Program	10.553	7760005	360,845
National School Lunch Program	10.555	7750002	629,057
Summer Food Service Program for Children	10.559	7740023	39,134
Other U.S. Department of Agriculture Programs:			\$ 1,029,036
Passed through State Department of Agriculture	10.555	N/A	68,383
TOTAL U.S. DEPT. OF AGRICULTURE			\$ 1,097,419
U.S DEPARTMENT OF EDUCATION			
Passed through the state:			
Special Education Cluster:			
Special Education-Grants to States (IDEA, Part B)	84.027	3372	\$ 161,475
Special Education-Grants to States (IDEA, Part B)	84.027	3373	329,121
Special Education-Preschool Grants (IDEA Preschool)	84.173	3432	18,808
Special Education-Preschool Grants (IDEA Preschool)	84.173	3433	14,538
Special Education-Preschool Grants (IDEA Preschool)	84.365	3453	6,855
			\$ 530,797
Title One Cluster:			
Title I Grants to Local Educational Agencies	84.010	3102	\$ 84,568
Title I Grants to Local Educational Agencies	84.010	3102D	30,190
Title I Grants to Local Educational Agencies-Parent Involvement	84.010	3102M	3,405
Title I Grants to Local Educational Agencies	84.010	3103	653,525
Title I Grants to Local Educational Agencies-P.D. Improvement	84.010	3103M	2,897
Title I ARRA	84.388A	5600B	14,786
Title I Parent Involvement-ARRA	84.388A	5600C	154,551
			\$ 943,922
Education Technology State Grants Cluster			
Education Technology State Grants	84.318X	4252	\$ (833)
Migrant Education-State Grant Program:			
Migrant Education-State Grant Program:	84.011	3112S	\$ 33,456
Migrant Education-State Grant Program:	84.011	3113	237,428
Migrant Education-State Grant Program:	84.011A	3202	47,896
			318,780
Vocational Education-Basic Grants to State:			
	84.048	3483	\$ 10,213
Gear Up II			
	84.334S	3451	\$ 11,401
Improving Teacher Quality State Grants:			
Improving Teacher Quality State Grants:	84.367	4012	\$ 1,567
Improving Teacher Quality State Grants:	84.367	4013	107,793
			\$ 109,360
Rural Education			
Rural Education	84.358B	3502	\$ 1,325
Rural Education	84.358B	3503	27,995
			\$ 29,320
SUB-TOTAL (CONTINUE ON NEXT PAGE)			\$ 1,952,960

REPORTS REQUIRED BY THE SINGLE AUDIT ACT

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

<u>FEDERAL GRANTOR/ PASS - THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS- THROUGH GRANTOR'S NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
Balance carried forward			\$ 1,952,960
Education Jobs Fund	84.410	4411	\$ 3,456
Race to The Top	84.413A	4521	24,432
21st Century Community Learning Centers	84.287	5502	\$ 311,232
21st Century Community Learning Centers	84.287	5502X	75,000
21st Century Community Learning Centers	84.287	5503	90,845
21st Century Community Learning Centers	84.287	5503S	8,237
21st Century Community Learning Centers	84.287	5503X	41,111
			<u>\$ 526,425</u>
Passed through State Workforce Development Cabinet			
Adult Education-Admin	84.002	3653	\$ 3,136
Adult Education-Core Svc/family	84.002	3733	46,948
Adult Education-Professional Staff Development	84.002	3733S	650
			<u>\$ 50,734</u>
 TOTAL U.S DEPARTMENT OF EDUCATION			 \$ 2,558,007
 TOTAL FEDERAL EXPENDITURES			 <u><u>\$ 3,655,426</u></u>

The accompanying notes are an integral part of this schedule.

**MONROE COUNTY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2013**

NOTE A – BASIS OF PRESENTATION

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. 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. Pass-through entity identifying numbers are presented where available. Non-monetary assistance is reported in the schedule of fair value of the goods received.

NOTE C – FOOD DISTRIBUTION

There were no sub-recipients during the fiscal year.

**MONROE COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Section I – Summary of Audit Results

1. The auditor’s report expresses an unmodified opinion on the financial statements of the Monroe County School District.
2. No significant deficiencies relating to the audit of the financial statements are reported.
3. No instances of noncompliance material to the financial statements of the District were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported.
5. The auditors’ report on compliance for the major federal programs of the District expresses an unmodified opinion.
6. There are no findings to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs include:

<u>Federal Grantor/Program Title</u>	<u>CFDA Number</u>
U.S. Department of Agriculture Passed Through Kentucky Department of Education Children Nutrition Cluster	10.553, 10.555 & 10.559
U.S. Department of Education Passed Through Kentucky Department of Education	
Title I, Part A Cluster:	
Title I Grants to Local Educational Agencies	84.010
Title I Grants to Local Educational Agencies, Recovery Act	84.388A
Migrant Education	84.011 & 84.011A
State Fiscal Stabilization Fund	84.386A
Twenty-first Century	84.287

8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. The District did qualify to be audited as a low-risk auditee.

**MONROE COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2013**

Section II – Findings – Financial Statement Audit

There are no findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings – Major Federal Programs Audit

There are no findings or questioned costs related to the major federal programs which are required to be reported in accordance with *OMB Circular A-133, Section 510(a)*.

**MONROE COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2013**

FINDINGS-FINANCIAL STATEMENTS AUDIT

No findings for year ended June 30, 2012.

**FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

No findings for year ended June 30, 2012

Goodman & Company, P.S.C.

Certified Public Accountants

10357 Linn Station Road
Louisville, KY 40223
(502) 339-0342 Fax: (502) 339-0794

William H. Goodman, CPA
Daniel A. Weber, CPA

<http://www.goodmanandcompanypsc.com>
Email: whgoodman@att.net

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

To the Kentucky State Committee for School District Audits
and Members of the Board of the Monroe County School District
Tompkinsville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Monroe County School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Monroe County School District's basic financial statements, and have issued our report thereon dated November 4, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Monroe 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 Monroe County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Monroe County School District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Monroe County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no instances of noncompliance with specific statutes or regulations identified in Appendix II of the *Independent Auditor's Contract – State Audit Requirements*. However, the results of our tests disclosed instances of noncompliance in relation to the Kentucky Department of Education's *Account Procedures for Kentucky School Activity Funds* and are described in the accompanying management letter points, date November 4, 2013.

Purpose of this Report

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

Goodman & Co.

GOODMAN & COMPANY, P.S.C.
Certified Public Accountants
Louisville, Kentucky
November 4, 2013

Goodman & Company, P.S.C.

Certified Public Accountants

10357 Linn Station Road
Louisville, KY 40223
(502) 339-0342 Fax: (502) 339-0794

William H. Goodman, CPA
Daniel A. Weber, CPA

<http://www.goodmanandcompanypsc.com>
Email: whgoodman@att.net

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Kentucky State Committee for School District Audits
and Members of the Board of the Monroe County School District
Tompkinsville, Kentucky

Compliance

We have audited Monroe County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Monroe County School District's major federal programs for the year ended June 30, 2013. Monroe 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

Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Monroe County School District's management.

Auditor's Responsibility

Our responsibility is to express an opinion on Monroe County School District's compliance based on our audit. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United State of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I of the *Independent Auditors' Contract – General Audit Requirements* and Appendix II of the *Independent Auditors' Contract-State Audit Requirements*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements

Opinion on Each Major Program

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

Internal Control Over Compliance

Management of Monroe County School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants

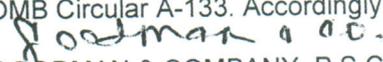
applicable to federal programs. In planning and performing our audit, we considered Monroe County School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 Monroe 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.

Opinion on Each Major Federal Program

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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.


GOODMAN & COMPANY, P.S.C.
Certified Public Accountants
Louisville, Kentucky
November 4, 2013

Goodman & Company, P.S.C.

Certified Public Accountants

10357 Linn Station Road
Louisville, KY 40223
(502) 339-0342 Fax: (502) 339-0794

<http://www.goodmanandcompanypsc.com>
Email: whgoodman@att.net

William H. Goodman, CPA
Daniel A. Weber, CPA

November 4, 2013

Kentucky State Committee for School District Audits
and Members of the Board of Education
Monroe County School District
Tompkinsville, Kentucky

In planning and performing our audit of the financial statements of the Monroe County School District as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered Monroe County School District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate report, November 4, 2013, contains our report on significant deficiencies in the Company's internal control. This letter does not affect our report dated November 4, 2013, on the financial statements of Monroe County School District.

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

Sincerely,



Goodman & Company, PSC
Certified Public Accountants
Louisville, Kentucky

**MONROE COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS
FOR THE YEAR ENDED JUNE 30, 2013**

1. Condition – During the audit, we noted that in one activity fund, there were signatures missing and/or stamps on standard invoice and purchase orders.

Criteria – The *Accounting Procedures for School Activity Funds* (Red Book) states that all purchase orders shall be approved by signature from the sponsor and principal.

Cause – Oversight by school employees caused the violation of the requirement.

Recommendations – Ensure that all purchase orders and standard invoices be approved by signature of sponsor and principal.

Response – Management agrees with the finding and recommendations will be adopted.

2. Condition – During the audit, we noted that in several activity funds, only a standard invoice was prepared.

Criteria – The *Accounting Procedures for School Activity Funds* (Red Book) states that all expenditures must be accompanied by a purchase order and an original vendor invoice.

Cause – Oversight by school employees caused the violation of the requirement.

Recommendations – Reinforce education to all school personnel about the policy and monitor that it is enforced.

Response – Management agrees with the finding and recommendations will be adopted.

3. Condition – During the audit, we noted that in one activity fund, only a vendor invoice was being used to support expenditures.

Criteria – The *Accounting Procedures for School Activity Funds* (Red Book) states that for each expenditure, there must be a purchase order (Form F-SA-7) prepared and approved by both the sponsor and the principal prior to payment.

Cause – Oversight by school employees caused the violation of the requirement.

Recommendations – Reinforce education to all school personnel about the policy and monitor that it is enforced.

Response – Management agrees with the finding and recommendations will be adopted.

**MONROE COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2013**

4. Condition – During the audit, we noted that in several activity funds, expenses that were for the sole benefit of staff were paid out of general activity accounts.

Criteria – The *Accounting Procedures for School Activity Funds* (Red Book) states that no school activity money shall be used to purchase personal items for staff members.

Cause – Oversight by school employees caused the violation of the requirement.

Recommendations – Reinforce education to all school personnel about the policy and monitor that it is enforced.

Response – Management agrees with the finding and recommendations will be adopted.

5. Condition – During the audit, we noted that in several activity funds, there were operating expenses of the District paid out of school activity funds.

Criteria – The *Accounting Procedures for School Activity Funds* (Red Book) states that no school activity money shall be used to pay normal operating expenses of the District.

Recommendations – Reinforce education to all school personnel about the policy and monitor that it is enforced.

Response – Management agrees with the finding and recommendations will be adopted.

6. Condition – During the audit, we noted that in one activity fund, there were checks made out to South Central Bank, intended for conversion to cash.

Criteria – The *Accounting Procedures for School Activity Funds* (Red Book) states that no school activity fund checks may be made out to cash.

Recommendations – Reinforce education to all school personnel about the policy and monitor that it is enforced.

Response - Management agrees with the finding and recommendations will be adopted.

7. Condition – During the audit, we noted that in several activity funds, checks given to sponsors were not given to the school treasurer on a timely basis.

Criteria – The *Accounting Procedures for School Activity Funds* (Red Book) states that all money must be given to the school treasurer on the day collected.

Recommendations – Reinforce education to all school personnel about the policy and monitor that it is enforced.

Response – Management agrees with the finding and recommendations will be adopted.