

OHIO COUNTY SCHOOL DISTRICT
FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2013

OHIO COUNTY SCHOOL DISTRICT
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**OHIO COUNTY PUBLIC SCHOOL DISTRICT
HARTFORD, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2013**

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

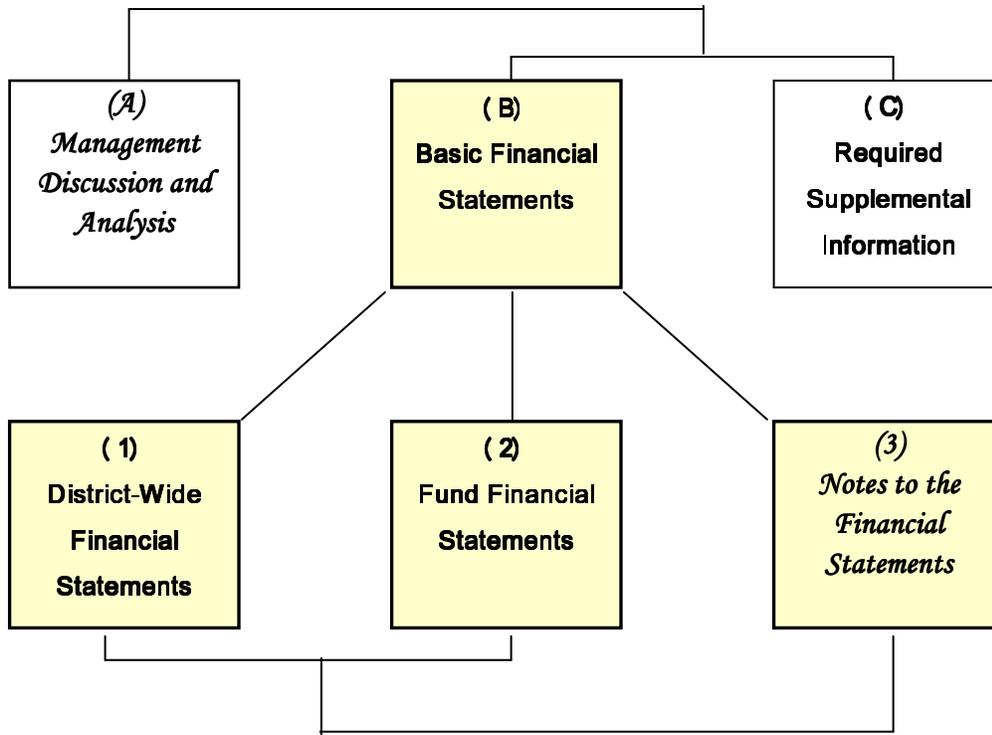
FINANCIAL HIGHLIGHTS

- The beginning General Fund fund balance for the District was \$3,203,862. The ending General Fund fund balance at June 30, 2013 is \$3,676,572.
- The District receives the majority of revenue from state funding (77%). The SEEK Funding formula provides the largest portion of that funding. The SEEK Funding decreased approximately \$228,000 from the prior year.
- The District continues to monitor the Transportation and Maintenance Departments for improved operational efficiencies. The two combined department's expenditures decreased by approximately \$520,000 over the prior year.

Overview of the Annual Financial Report (AFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Ohio County Public School District as a financial whole, an entire operating entity, in a manner similar to a private-sector business. The annual report consists of three parts: (A) management's discussion and analysis (this section), (B) the basic financial statements and notes, and (C) required and other supplemental information. The statements then proceed to provide an increasingly detailed look at specific financial activities. 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.

Organization of the Annual Financial Report



The Government-Wide Financial Statements have two sections (1) the *Statement of Net Position* and (2) the *Statement of Activities*. The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District’s finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District’s major funds with all other non-major funds presented in total in one column. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

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.

Reporting the District as a Whole

One of the most important questions asked about the District is “How did we do financially during 2013?” The *Statement of Net Position* and the *Statement of Activities*, which appear first in the District’s financial statements, report information on the District as a whole and its activities in a way that helps answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year’s revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. However, the District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as Kentucky's SEEK funding formula and its adjustments, the District's property tax base, required educational programs and other factors.

In the Statement of Net Position and the Statements of Activities, the District is divided into two distinct kinds of activities:

- **Governmental Activities** – Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extra-curricular activities. The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). Fixed assets and related debt are also supported by taxes and intergovernmental revenues.
- **Business-Type Activities** – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The District's food service is reported as business activities. These activities are funded thru fees, federal grants, and federal commodities.

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 \$34,076,543 as of June 30, 2013.

The largest portion of the District's net assets 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 (\$27,919,731). 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.

Reporting the District's Most Significant Funds

Fund Financial Statements

After looking at the District as a whole, an analysis of the District's major funds follows. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary and fiduciary funds. Fiduciary funds are assets that belong to others.

The school activity funds and private purpose trust funds are reported as fiduciary funds. A proprietary fund is sometimes referred to as an enterprise fund. It is a fund that operates like a business with sales of goods and services. All other activities of the district are included in the governmental funds. The major governmental funds for the Ohio County Public School District are the general fund and special revenue (grants).

Governmental Funds - Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental *activities* (reported in the Statement of Net Assets and the Statements of Activities) and governmental *funds* is reconciled in the financial statements.

Proprietary Funds - Proprietary funds use the same basis of accounting as business-type activities; therefore, the statements for the proprietary fund will essentially match. The District's school food service operation, school wide day care operation, school auditorium, high school day care operation, and the community education operation are within the proprietary business-type activities.

Fiduciary Funds – Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. The schools' activity funds (or agency funds) balance at year-end totaled \$184,745. The Districts' private purpose trust gross assets at year-end totaled \$4,731,397.

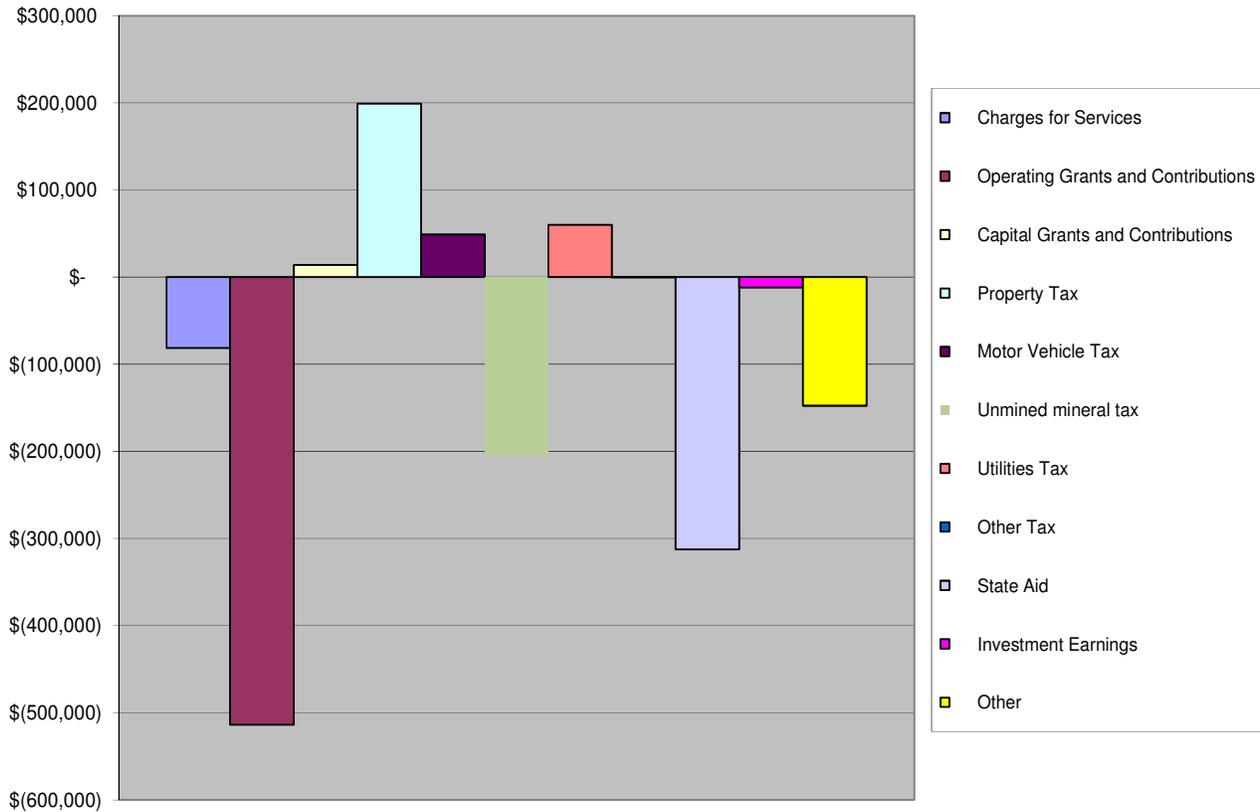
FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE *Net Position*

	<u>June 30, 2012</u>	<u>June 30, 2013</u>	<u>Change</u>
Assets			
Current and Other Assets	\$ 6,813,855	\$ 7,104,273	290,418
Capital Assets	51,357,661	49,953,119	(1,404,542)
Total Assets	\$ 58,171,516	\$ 57,057,392	(1,114,124)
Liabilities			
Long Term Liabilities	\$ 21,185,999	\$ 20,271,819	(914,180)
Other Liabilities (current)	2,499,918	2,709,030	209,112
Total Liabilities	\$ 23,685,917	\$ 22,980,849	(705,068)
Net Position			
Investment in capital assets (net of debt)	\$ 28,259,471	\$ 27,919,732	(339,739)
Restricted	2,768,490	2,732,241	(36,249)
Unrestricted	3,457,638	3,424,570	(33,068)
Total Net Position	\$ 34,485,599	\$ 34,076,543	(409,056)

Revenues

Revenues	<u>June 30, 2012</u>	<u>June 30, 2013</u>	<u>Change</u>
Program Revenues:			
Charges for Services	\$ 710,554	\$ 629,192	\$ (81,362)
Operating Grants and Contributions	8,231,313	7,717,647	(513,666)
Capital Grants and Contributions	242,365	256,038	13,673
General Revenues:			
Property Tax	4,254,823	4,453,748	198,925
Motor Vehicle Tax	684,871	733,700	48,829
Unmined mineral tax	474,974	270,359	(204,615)
Utilities Tax	1,420,141	1,480,120	59,979
Other Tax	35,774	35,344	(430)
State Aid	22,345,702	22,033,234	(312,468)
Investment Earnings	42,730	30,637	(12,093)
Other	634,710	486,993	(147,717)
Total Revenues	\$ 39,077,957	\$ 38,127,012	\$ (950,945)

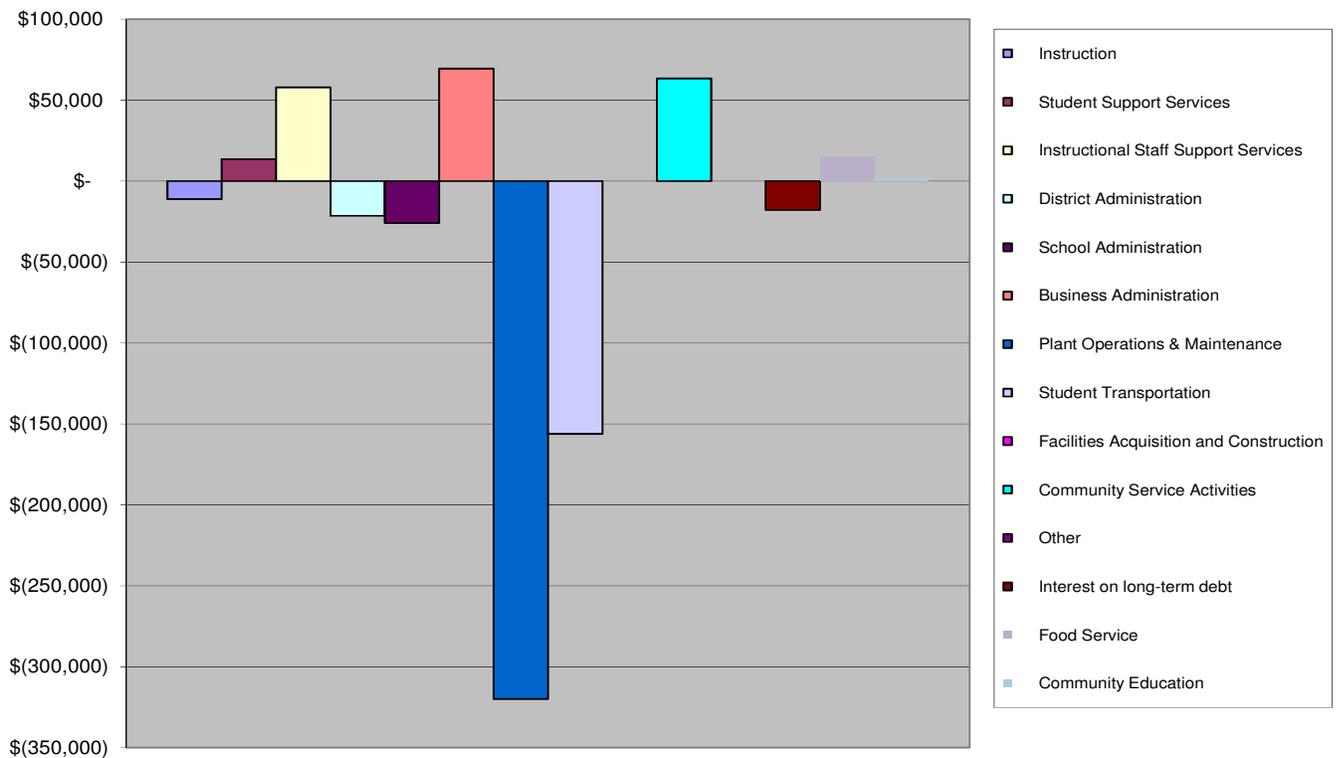
Revenue Variances



Expenses

	<u>June 30, 2012</u>		<u>June 30, 2013</u>		<u>Change</u>
Instruction	\$ 21,272,415	\$	21,261,248	\$	(11,167)
Student Support Services	1,270,870		1,284,450		13,580
Instructional Staff Support Services	1,762,236		1,820,104		57,868
District Administration	693,877		672,426		(21,451)
School Administration	1,921,042		1,895,112		(25,930)
Business Administration	1,381,306		1,450,835		69,529
Plant Operations & Maintenance	3,962,868		3,643,030		(319,838)
Student Transportation	3,128,892		2,972,781		(156,111)
Facilities Acquisition and Construction	-		-		-
Community Service Activities	384,689		448,109		63,420
Other	-		-		-
Interest on long-term debt	731,922		714,081		(17,841)
Food Service	2,248,476		2,263,751		15,275
Community Education	108,920		110,140		1,220
Total Expenses	\$ 38,867,513	\$	38,536,067	\$	(331,446)

Expense Variance



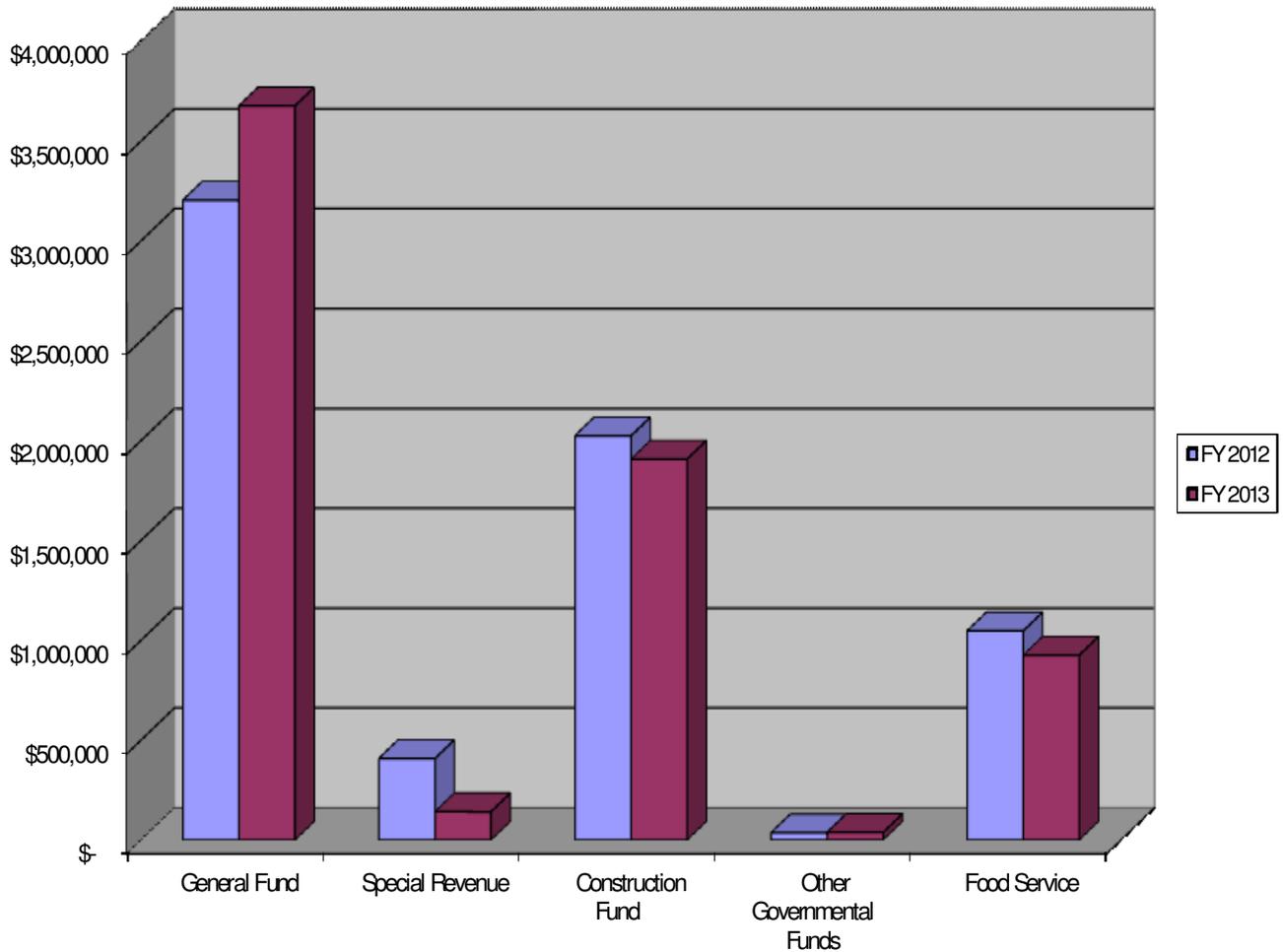
- The District's total revenues were \$38,127,012 and the total expenses were \$38,536,067. Expenses exceeded revenues by \$409,055.
- State revenues accounted for 58% and local taxes accounted for 18% of the revenue.

- Instruction was the major expense category and accounted for 55% of the total.

Financial Analysis of the District Funds

Changes in End-of-Year Fund Balances	FY 2012	FY 2013	Amount of Change	Percent of Change
General Fund	\$ 3,203,862	\$ 3,676,572	\$ 472,710	15%
Special Revenue	\$ 408,473	\$ 141,959	\$ (266,514)	-65%
Construction Fund	\$ 2,024,598	\$ 1,907,621	\$ (116,977)	-6%
Other Governmental Funds	\$ 35,961	\$ 38,169	\$ 2,208	6%
Food Service	\$ 1,047,248	\$ 925,617	\$ (121,631)	-12%

Changes in End-of-Year Fund Balances



- The General Fund’s fund balance showed a positive change of \$472,710.
- The Special Revenue Fund had a negative change of \$266,514.

- The Construction Fund had a negative change of \$116,977.
- The Other Governmental Funds had a positive change of \$2,208.
- The Food Service Fund's balance showed a negative change of \$121,631.

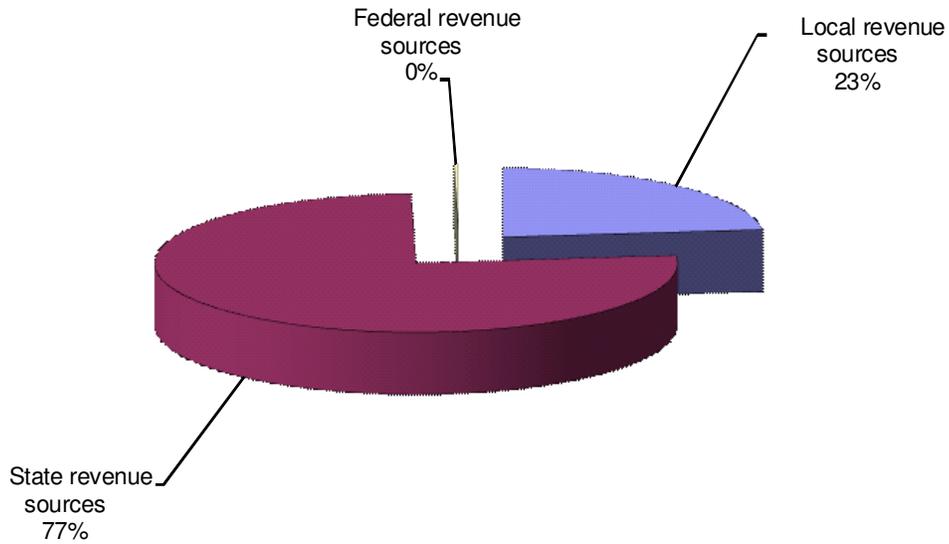
Comments on General Fund Budget Comparisons

- The District budgeted for its local revenues (taxes, earned interest, and tuition) in a conservative manner. Thus, local revenues were higher than budgeted (\$358,967).
- Expenditures were less than budgeted primarily because of unspent contingency funds.
- General Fund budget compared to actual revenue varied from line item to line item with the ending actual fund balance being \$472,710 more than the prior year.
- District administration shows a \$1,519,859 favorable variance. The reason is that this is where the District's contingency is budgeted. The contingency is not meant to be expended, but is to be used as the District's beginning balance for next year. The contingency budgeted was actually \$1,181,543.

The following tables present a summary of revenues and expenditures of the General Fund for the fiscal year ended June 30, 2013.

Revenues	Amount	
Local revenue sources	\$	6,697,359
Property Tax	3,920,331	
Motor Vehicle Tax	672,444	
Utilities Tax	1,480,120	
Unmined Minerals Tax	270,359	
Other Taxes	35,344	
Tuition and fees	53,417	
Investment earnings	28,970	
Other Local Revenue	236,374	
State revenue sources		22,016,429
Federal revenue sources		84,198
Total Revenues	\$	28,797,986

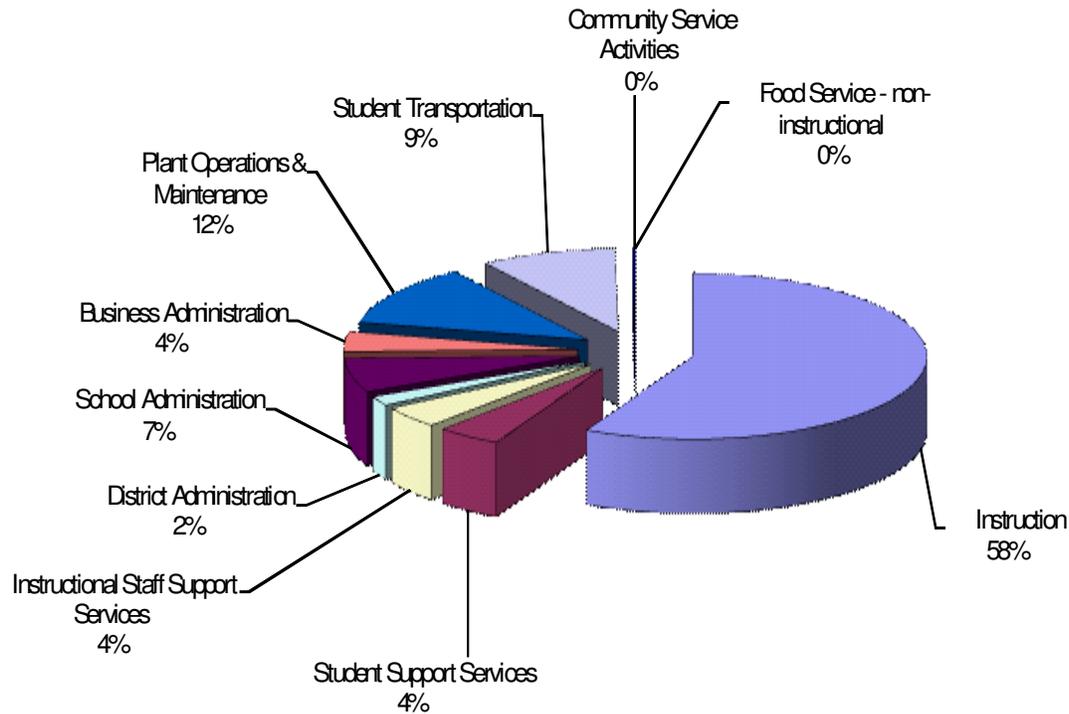
General Fund Revenue Sources



The majority of revenue was derived from state funding 77%, with local revenue sources making up 23% of total revenue.

Expenditures	FY 2013
Instruction	\$ 16,258,891
Student Support Services	1,257,684
Instructional Staff Support Services	1,188,977
District Administration	512,337
School Administration	1,883,249
Business Administration	1,077,561
Plant Operations & Maintenance	3,394,424
Student Transportation	2,657,558
Community Service Activities	58,064
Food Service - non-instructional	1,310
Facilities acquisition & construction	-
Total Expenditures	\$ 28,290,055

General Fund Expenditures



The majority of expenditures were in the area of Instruction at 58% with Plant Operations & Maintenance expenditures being 12%.

CAPITAL ASSET AND DEBT ADMINISTRATION

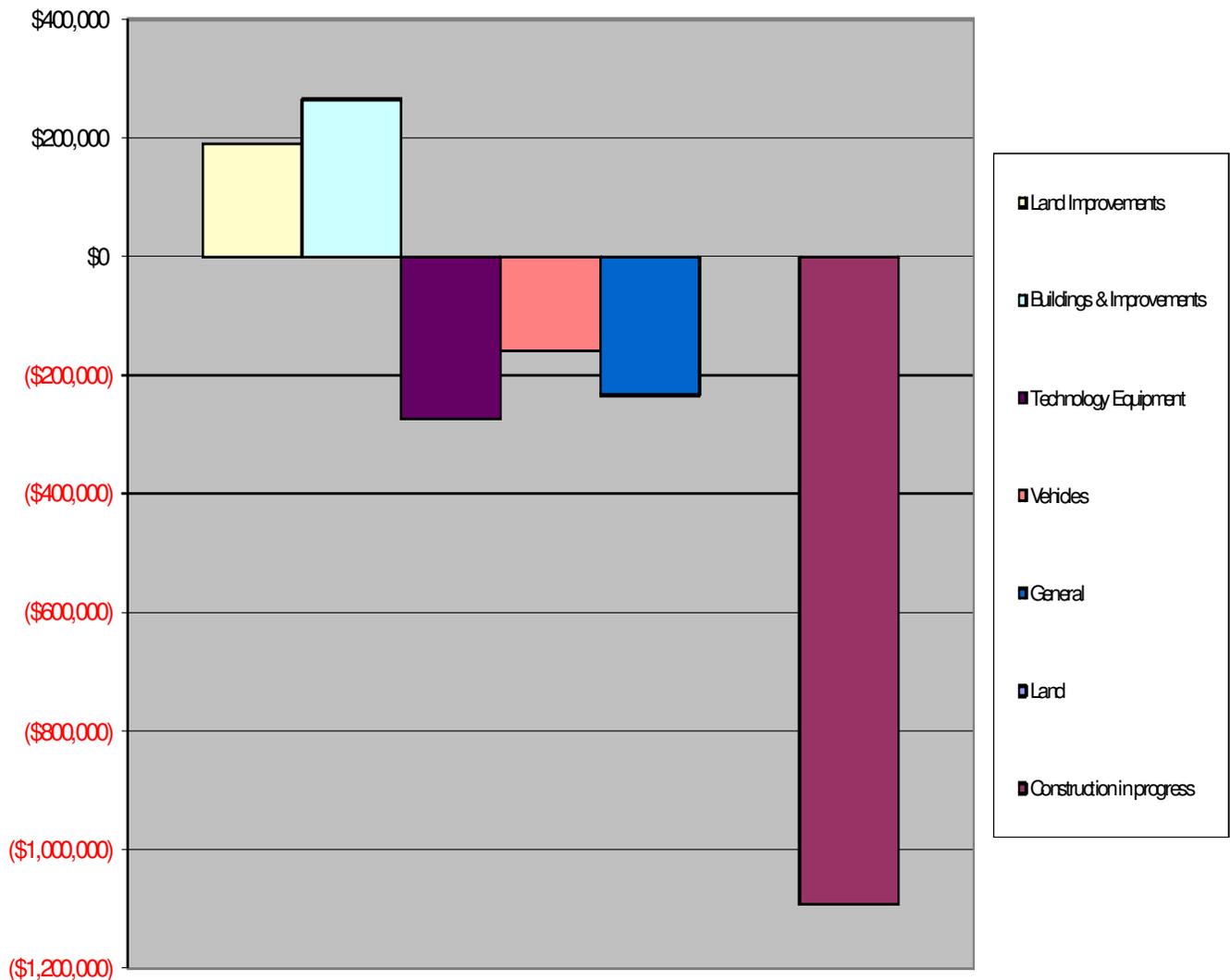
Capital Assets

By June 30, 2013, the district had invested \$49,225,696 in capital assets, net of accumulated depreciation. This included land, school buildings, athletic facilities, maintenance facilities, computer equipment and administrative offices. The cumulative total of assets was \$85,030,888 with accumulated depreciation of \$35,805,192.

SUMMARY OF CAPITAL ASSETS

Assets	June 30, 2012	June 30, 2013	Change
Land	\$456,873	\$456,873	\$0
Construction in progress	\$1,908,475	\$816,666	(\$1,091,809)
Land Improvements	\$1,042,188	\$1,231,108	\$188,920
Buildings & Improvements	\$42,929,376	\$43,194,019	\$264,643
Technology Equipment	\$983,106	\$710,315	(\$272,791)
Vehicles	\$1,163,120	\$1,004,297	(\$158,823)
General	\$2,046,134	\$1,812,418	(\$233,716)
Total Assets	\$50,529,272	\$49,225,696	(\$1,303,576)

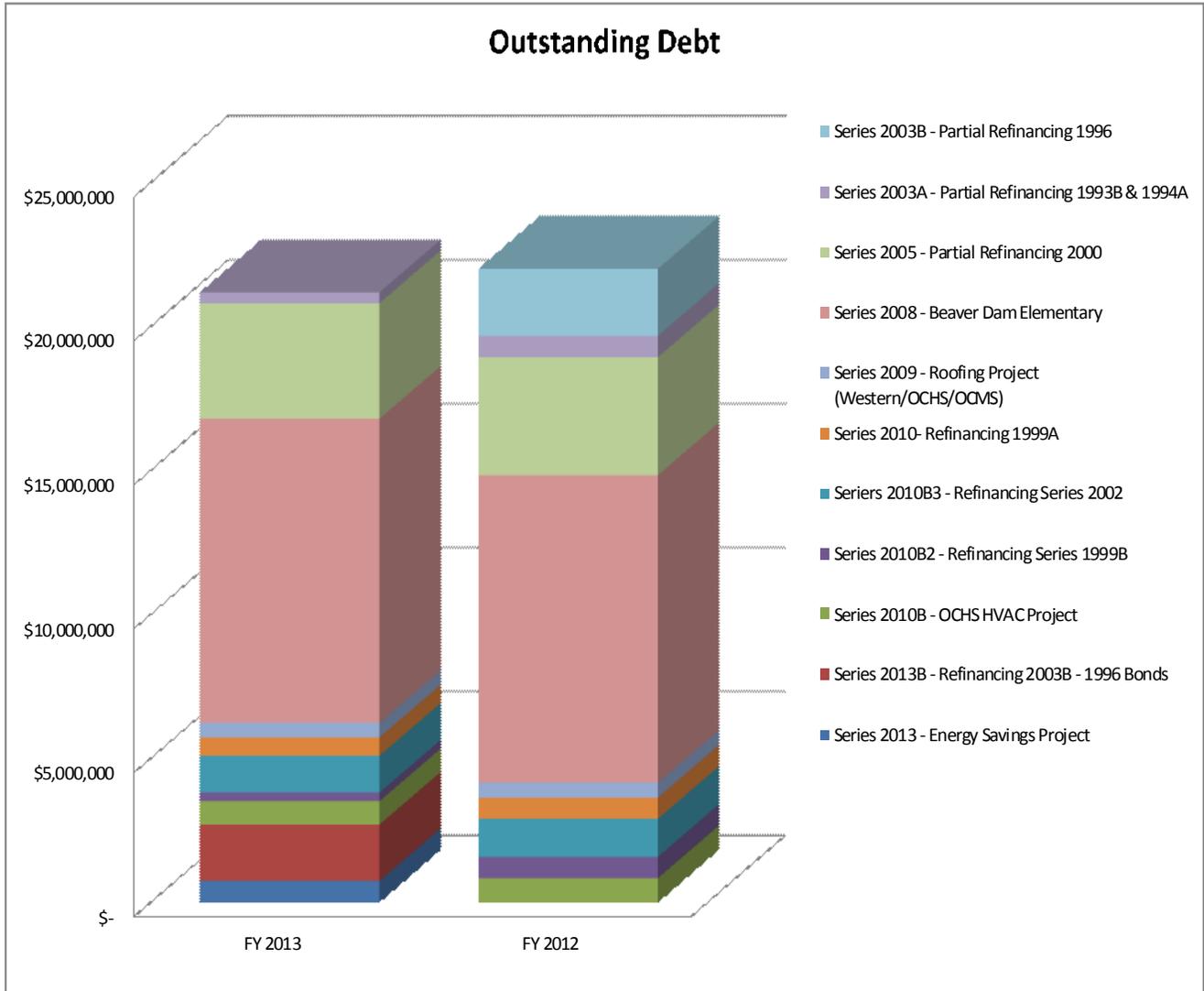
Capital Assets Variance



School Revenue Bonds Payable

At year-end the district had \$21.2 million in school revenue bonds outstanding. The net decrease of school revenue bonds payable was \$815,000.

School Revenue Bonds		FY 2013	FY 2012
Series 2013 - Energy Savings Project	\$	750,000	\$ -
Series 2013B - Refinancing 2003B - 1996 Bonds	\$	1,960,000	\$ -
Series 2010B - OCHS HVAC Project	\$	810,000	\$ 850,000
Series 2010B2 - Refinancing Series 1999B	\$	300,000	\$ 740,000
Series 2010B3 - Refinancing Series 2002	\$	1,280,000	\$ 1,320,000
Series 2010- Refinancing 1999A	\$	635,000	\$ 735,000
Series 2009 - Roofing Project (Western/OCHS/OCMS)	\$	505,000	\$ 520,000
Series 2008 - Beaver Dam Elementary	\$	10,565,000	\$ 10,680,000
Series 2005 - Partial Refinancing 2000	\$	4,015,000	\$ 4,100,000
Series 2003A - Partial Refinancing 1993B & 1994A	\$	375,000	\$ 740,000
Series 2003B - Partial Refinancing 1996	\$	-	\$ 2,325,000
Total	\$	21,195,000	\$ 22,010,000



BUDGETARY IMPLICATIONS

It is extremely important that the district continue to budget very conservatively. The District receives approximate 77% of its general fund revenue each year through the state funding formula (SEEK). The SEEK forecasts from the state should be considered only an estimate of state revenue. If the state does not get the revenue from taxing sources, an adjustment will be made to the funding formula. The District should always be prepared for such reductions in funding.

Approximately 23% of the general fund revenue is from local property tax. The major portion of the tax revenue does not come to the district until the fifth-seventh months. This means the general fund's beginning fund balance must be used to absorb much of the first four months of expenditures. Provisions must always be made to have a significant beginning fund balance to start each year.

By law the budget must have a minimum 2% contingency. The District adopted a budget with \$1,181,543 in contingency (4.69%). The beginning fund balance for beginning the fiscal year was \$3,203,862. The ending fund balance is \$3,676,572. The District must continue to find ways to become more efficient with operational departments in an effort to provide the necessary funding to essential programs.

DISTRICT CHALLENGES FOR THE FUTURE

The primary challenges for Ohio County Public Schools are to continue to reach the academic accountability goals established by the Commonwealth of Kentucky, continue to maintain our modern facilities, and preserving the current level of financial stability.

The District's challenge to reach the academic accountability goal established by the Commonwealth of Kentucky will be accomplished by several means. The primary goal is to maintain our competitive salary schedules to help attract quality leadership, teachers and support staff. The District also needs to continue to maintain our pupil/teacher ratio at levels below the levels recommended by the state. Maintaining several programs will also help the District overcome this challenge. These programs include, but are not limited to, full day kindergarten, response to intervention (RTI), and advancement in the area of technology.

The second challenge mentioned above is to maintain our modern facilities. The District has suspended the annual financial commitment in order to maintain our current facilities. During FY 2013, the District did not transfer \$400,000 of the General Fund revenues to the restricted construction account within the General Fund. The current balance within the restricted construction account as of June 30, 2013 is \$704,600. This restricted account will help the District recover from any unforeseen major facility repairs, help keep the current facilities in excellent condition and construct any required facilities which do not meet the Kentucky Department of Education guidelines or not large enough to require a bond sale.

The third challenge mentioned above is preserving the current level of financial stability. The district receives 77% of the general fund revenues from the State of Kentucky through the SEEK formula. With the financial condition of both the nation and state, the next four years will play a vital role in maintaining our financial stability.

Questions regarding this report should be directed to Mr. Brian L. Decker, Chief Financial Officer, located at 315 East Union Street, Hartford, KY 42347, by phone at 270.298.3249 extension # 249, or e-mail at brian.decker@ohio.kyschools.us.

INDEPENDENT AUDITORS' REPORT

Kentucky State Committee for School District Audits
Members of the Board of Education
Ohio County School District

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the provisions of *Office Management and Budget Circular No. A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the

results of that testing and not to provide an opinion on 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* and should be considered in assessing the results of our audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1 – 13 and 47 – 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Alexander & Company CPAs PSC

Owensboro, Kentucky
November 14, 2013

**OHIO COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2013**

ASSETS	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current Assets			
Cash and cash equivalents	\$ 5,194,500	\$ 338,689	\$ 5,533,189
Investments	-	-	-
Accounts receivable	1,005,665	122,896	1,128,561
Promise to give	-	-	-
Inventory	152,315	99,552	251,867
Prepaid expenses	190,656	-	190,656
Prepaid interest	-	-	-
Interest receivable	-	-	-
Total current assets	<u>6,543,136</u>	<u>561,137</u>	<u>7,104,273</u>
Noncurrent Assets			
Bond issuance costs	727,423	-	727,423
Capital assets	83,792,519	1,238,369	85,030,888
Less: Accumulated depreciation	(34,949,568)	(855,624)	(35,805,192)
Total noncurrent assets	<u>49,570,374</u>	<u>382,745</u>	<u>49,953,119</u>
Total assets	<u>\$ 56,113,510</u>	<u>\$ 943,882</u>	<u>\$ 57,057,392</u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 287,518	\$ 14,313	\$ 301,831
Retained percentage contracts	16,469	-	16,469
Accrued payroll and withholding obligations	195,930	-	195,930
Deferred revenues	278,897	-	278,897
Current portion of bond obligations	1,605,000	-	1,605,000
Current portion of capital lease obligations	92,628	-	92,628
Current portion of accrued sick leave	86,922	-	86,922
Interest payable	131,353	-	131,353
Total current liabilities	<u>2,694,717</u>	<u>14,313</u>	<u>2,709,030</u>
Noncurrent Liabilities			
Noncurrent portion of bond obligations	19,590,000	-	19,590,000
Noncurrent portion of capital lease obligations	18,337	-	18,337
Noncurrent portion of accrued sick leave	663,482	-	663,482
Total noncurrent liabilities	<u>20,271,819</u>	<u>-</u>	<u>20,271,819</u>
Total liabilities	<u>\$ 22,966,536</u>	<u>\$ 14,313</u>	<u>\$ 22,980,849</u>
NET POSITION			
Net investment in capital assets	\$ 27,536,987	\$ 382,745	\$ 27,919,732
Restricted for:			
Capital projects	1,943,458	546,824	2,490,282
Sick leave	100,000	-	100,000
Grants	141,959	-	141,959
Unrestricted	3,424,570	-	3,424,570
Total net position	<u>\$ 33,146,974</u>	<u>\$ 929,569</u>	<u>\$ 34,076,543</u>

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

**OHIO COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the year ended June 30, 2013**

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
Instruction	\$ 21,261,248	\$ -	\$ 5,943,338	\$ -	\$ (15,317,910)	\$ -	\$ (15,317,910)
Support services:							
Student	1,284,450	11,215	-	-	(1,273,235)	-	(1,273,235)
Instruction staff	1,820,104	-	-	-	(1,820,104)	-	(1,820,104)
District administrative	672,426	-	-	-	(672,426)	-	(672,426)
School administrative	1,895,112	-	-	-	(1,895,112)	-	(1,895,112)
Business	1,450,835	-	-	-	(1,450,835)	-	(1,450,835)
Plant operation and maintenance	3,643,030	1,556	-	-	(3,641,474)	-	(3,641,474)
Student transportation	2,972,781	-	-	-	(2,972,781)	-	(2,972,781)
Central office	-	-	-	-	-	-	-
Food service operation	4,904	-	-	-	(4,904)	-	(4,904)
Community service activities	448,109	74,533	-	-	(373,576)	-	(373,576)
Facilities acquisition and construction	-	-	-	-	-	-	-
Interest on long term debt	714,081	-	-	142,572	(571,509)	-	(571,509)
Other	-	18,217	-	-	18,217	-	18,217
Total governmental activities	36,167,080	105,521	5,943,338	142,572	(29,975,649)	-	(29,975,649)
Business-type Activities							
Food service	2,258,847	429,121	1,774,308	113,466	-	58,048	58,048
Other	110,140	94,550	-	-	-	(15,590)	(15,590)
Total business-type activities	2,368,987	523,671	1,774,308	113,466	-	42,458	42,458
Total school district	\$ 38,536,067	\$ 629,192	\$ 7,717,647	\$ 256,038	\$ (29,975,649)	\$ 42,458	\$ (29,933,191)
			General Revenues				
			Property taxes	\$ 4,453,748	\$ -	\$ 4,453,748	
			Motor vehicle taxes	733,700	-	733,700	
			Unmined mineral tax	270,359	-	270,359	
			Other taxes	35,344	-	35,344	
			Utility taxes	1,480,120	-	1,480,120	
			Revenue in lieu of taxes	-	-	-	
			Investment earnings	29,217	1,420	30,637	
			State and formula grants	22,033,234	-	22,033,234	
			Contributions	34,086	-	34,086	
			Miscellaneous	452,907	-	452,907	
			Transfers	175,099	(175,099)	-	
			Total general revenues and transfers	29,697,814	(173,679)	29,524,135	
			Change in net position	(277,835)	(131,221)	(409,056)	
			Net position - beginning	33,424,809	1,060,790	34,485,599	
			Net position - ending	\$ 33,146,974	\$ 929,569	\$ 34,076,543	

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

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

	General Fund	Special Revenue	Construction Fund	Other Governmental Funds	Total Governmental Funds
ASSETS AND RESOURCES:					
Cash and cash equivalents	\$ 3,217,748	\$ 1,394	\$ 1,937,188	\$ 38,170	\$ 5,194,500
Accounts receivable	465,709	534,834	-	-	1,000,543
Prepaid expense	190,656	-	-	-	190,656
Inventories	152,315	-	-	-	152,315
Due from other funds	71,661	-	-	-	71,661
Interest receivable	-	-	-	-	-
Total assets	\$ 4,098,089	\$ 536,228	\$ 1,937,188	\$ 38,170	\$ 6,609,675
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 225,567	\$ 48,833	\$ 13,098	\$ -	\$ 287,518
Retained percentage contracts	-	-	16,469	-	16,469
Accrued payroll and related expenses	195,930	-	-	-	195,930
Accumulated sick leave - current	-	-	-	-	-
Due to other funds	-	66,541	-	-	66,541
Deferred revenues	-	278,895	-	-	278,895
Obligations under capital lease	-	-	-	-	-
Debt obligations	-	-	-	-	-
Total liabilities	421,517	394,269	29,567	-	845,353
Fund Balances					
Nonspendable	342,971	-	-	-	342,971
Restricted	100,000	141,959	1,907,621	35,837	2,185,417
Committed	1,097,864	-	-	-	1,097,864
Assigned	359,396	-	-	-	359,396
Unassigned	1,776,341	-	-	2,333	1,778,674
Total fund balances	3,876,572	141,959	1,907,621	38,170	5,764,322
Total liabilities and fund balances	\$ 4,098,089	\$ 536,228	\$ 1,937,188	\$ 38,170	\$ 6,609,675

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

OHIO COUNTY SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2013

Total fund balances - governmental funds	\$ 5,764,322
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore not reported as assets in governmental funds. The cost of the assets is \$ 83,792,519 and the accumulated depreciation is \$ 34,949,568.	48,842,951
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.	-
Certain long-term assets are not reported in the governmental funds because they are not available to pay current-period expenditures, but they are reported in the statement of net assets.	-
Bond issuance costs reported as an expenditure in the governmental fund financial statement are capitalized in the government-wide financial statements.	727,423
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:	
Leases payable	(110,965)
Bonds payable	(21,195,000)
Accrued interest on the bonds	(131,353)
Accrued sick leave	(750,404)
	(23,177,722)
Total net position for governmental activities	\$ 33,146,974

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

OHIO COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended June 30, 2013

Revenues	General Fund	Special Revenue	Construction Fund	Other Governmental Funds	Total Governmental Funds
From local sources					
Property taxes	\$ 3,920,331	\$ -	\$ -	\$ 533,417	\$ 4,453,748
Motor vehicle taxes	672,444	-	-	61,256	733,700
Unmined minerals	270,359	-	-	-	270,359
Utility taxes	1,480,120	-	-	-	1,480,120
Franchise taxes	-	-	-	-	-
Other taxes	35,344	-	-	-	35,344
Revenue other local government units	-	-	-	-	-
Tuition and fees	53,417	-	-	-	53,417
Transportation	-	-	-	-	-
Earnings on investments	28,970	138	-	109	29,217
Food Service	-	11,733	-	-	11,733
Student activities	-	74,533	-	-	74,533
Community service activities	-	-	-	-	-
Other local revenues	233,749	385,449	-	-	619,198
State sources					
SEEK	16,279,353	-	-	-	16,279,353
Other	5,737,076	1,312,571	-	1,933,715	8,983,362
Federal - direct	84,188	-	-	-	84,188
Federal - indirect	-	2,612,854	-	-	2,612,854
Intermediate sources	-	-	-	11,422	11,422
Other revenues	2,825	-	-	-	2,825
Total revenues	<u>28,797,986</u>	<u>4,397,278</u>	<u>-</u>	<u>2,538,919</u>	<u>35,735,183</u>
Expenditures					
Instruction	16,258,891	3,447,254	-	-	19,706,145
Support services					
Student	1,257,685	26,766	-	-	1,284,451
Instruction staff	1,188,977	629,952	-	-	1,818,929
District administration	512,337	-	-	-	512,337
School administration	1,883,249	5,981	-	-	1,889,230
Business	1,077,561	362,373	-	-	1,439,934
Plant operation and maintenance	3,394,424	2,372	-	-	3,396,796
Student transportation	2,657,558	83,208	-	-	2,740,764
Food service operation	1,310	3,594	-	-	4,904
Community service activities	58,084	390,045	-	-	448,109
Facilities acquisition and construction	-	-	863,995	-	863,995
Other	-	-	-	2,454,381	2,454,381
Total expenditures	<u>28,290,056</u>	<u>4,951,543</u>	<u>863,995</u>	<u>2,454,381</u>	<u>36,559,975</u>
Excess (deficit) of revenues over expenditures	<u>507,930</u>	<u>(554,265)</u>	<u>(863,995)</u>	<u>85,538</u>	<u>(824,792)</u>
Other Financing Sources (Uses)					
Proceeds of bond	-	-	-	750,000	750,000
Proceeds of refunding bond	-	-	-	1,989,388	1,989,388
Payment to refunding bond escrow agent	-	-	-	(1,845,000)	(1,845,000)
Operating transfers in	387,828	435,076	786,580	1,532,337	3,141,819
Operating transfers out	(422,846)	(147,325)	(6,289)	(2,390,062)	(2,966,522)
Total other financing sources (uses)	<u>(35,219)</u>	<u>287,751</u>	<u>780,291</u>	<u>(83,329)</u>	<u>949,493</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>472,710</u>	<u>(266,514)</u>	<u>(83,704)</u>	<u>2,209</u>	<u>124,701</u>
Net change in fund balances	<u>472,710</u>	<u>(266,514)</u>	<u>(83,704)</u>	<u>2,209</u>	<u>124,701</u>
Fund balance, June 30, 2012	<u>3,203,862</u>	<u>408,473</u>	<u>1,991,325</u>	<u>35,961</u>	<u>5,639,621</u>
Fund balance, June 30, 2013	<u>\$ 3,676,572</u>	<u>\$ 141,959</u>	<u>\$ 1,907,621</u>	<u>\$ 38,170</u>	<u>\$ 5,764,322</u>

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

OHIO COUNTY SCHOOL DISTRICT
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2013

Total net change in fund balances - governmental funds	\$ 124,701
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays 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 capital outlays (\$ 1,186,586) exceeded depreciation (\$ 2,402,414) in the current period.	(1,215,828)
In the statement of activities, only the gain (loss) on the sale or disposal is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of equipment sold.	(21,034)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	-
The proceeds of debt issuances provide current financial resources to governmental funds. But issuing debt increases long-term liabilities in the statement of net assets.	(2,719,396)
Repayment of bond principal and capital lease payments are an expenditure in the governmental funds, but the payments reduce long-term liabilities in the statement net assets. This is the amount of the payments.	3,673,835
In the statement of activities, certain operating expenses - compensated absences (sick pay) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This is the amount that used exceeded sick leave earned.	(9,605)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is the net result of accrued interest on bonds, leases and contracts payable.	11,465
Bond issuance costs reported as an expenditure in the governmental fund financial statement are capitalized in the government-wide financial statements.	<u>(121,973)</u>
Change in net position of governmental activities	<u>\$ (277,835)</u>

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

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

ASSETS	Food Service Fund	Other Enterprise Funds	Total
Current Assets			
Cash and cash equivalents	\$ 329,122	\$ 9,567	\$ 338,689
Accounts receivable - other	122,896	-	122,896
Inventories	99,552	-	99,552
Total current assets	551,570	9,567	561,137
Noncurrent Assets			
Capital assets	1,238,369	-	1,238,369
Less: Accumulated depreciation	(855,624)	-	(855,624)
Total noncurrent assets	382,745	-	382,745
Total assets	\$ 934,315	\$ 9,567	\$ 943,882
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 8,698	\$ 495	9,193
Interfund payables	-	5,120	5,120
Total current liabilities	8,698	5,615	14,313
Total liabilities	\$ 8,698	\$ 5,615	\$ 14,313
NET POSITION			
Net investment in capital assets	382,745	-	382,745
Restricted	542,872	3,952	546,824
Total net position	\$ 925,617	\$ 3,952	\$ 929,569

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

OHIO COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the year ended June 30, 2013

	Food Service Fund	Other Proprietary Funds	Total
Operating Revenues			
Food service sales	\$ 429,074	\$ -	\$ 429,074
Other operating revenues	47	94,550	94,597
Total operating revenues	<u>429,121</u>	<u>94,550</u>	<u>523,671</u>
Operating Expenses			
Salaries and wages	1,122,963	151,484	1,274,447
Professional and contract services	42,931	932	43,863
Supplies and materials	1,038,196	2,885	1,041,081
Depreciation	51,114	-	51,114
Other operating expenses	3,643	50	3,693
Total operating expenses	<u>2,258,847</u>	<u>155,351</u>	<u>2,414,198</u>
Operating Income (loss)	<u>(1,829,726)</u>	<u>(60,801)</u>	<u>(1,890,527)</u>
Nonoperating revenues (expenses)			
Federal grants	1,508,419	-	1,508,419
State grants	22,922	45,211	68,133
Other state funding	242,967	-	242,967
Donated commodities	113,464	-	113,464
Interest income	1,420	-	1,420
Total nonoperating revenues (expenses)	<u>1,889,192</u>	<u>45,211</u>	<u>1,934,403</u>
Net Income (loss) before transfers	59,466	(15,590)	43,876
Transfers in	-	6,000	6,000
Transfers out	(181,097)	-	(181,097)
Change in Net Position	<u>(121,631)</u>	<u>(9,590)</u>	<u>(131,221)</u>
Total net position, June 30, 2012	<u>1,047,248</u>	<u>13,542</u>	<u>1,060,790</u>
Total net position, June 30, 2013	<u>\$ 925,617</u>	<u>\$ 3,952</u>	<u>\$ 929,569</u>

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

**OHIO COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended June 30, 2013**

	Food Service Fund	Other Proprietary Funds	Total
Cash Flows from Operating Activities			
Cash received from lunchroom sales	\$ 429,074	\$ -	\$ 429,074
Cash received from government grants	-	45,211	45,211
Cash received from other activities	47	99,798	99,845
Cash payments to employees for services	(1,122,963)	(146,412)	(1,269,375)
Less accrued liability	-	-	-
Cash payments to suppliers for goods and services	(953,588)	(3,817)	(957,405)
Cash payments for other operating activities	(3,643)	(50)	(3,693)
Net cash from operating activities	<u>(1,651,073)</u>	<u>(5,270)</u>	<u>(1,656,343)</u>
Cash Flows from Capital Financing Activities			
Transfers	(181,097)	6,000	(175,097)
Acquisition of capital assets	(14,805)	-	(14,805)
Disposal of capital assets	599	-	599
Net cash from capital financing activities	<u>(195,303)</u>	<u>6,000</u>	<u>(189,303)</u>
Cash Flows from Noncapital Financing Activities			
Nonoperating grants received	1,661,307	-	1,661,307
Net cash from noncapital financing activities	<u>1,661,307</u>	<u>-</u>	<u>1,661,307</u>
Cash Flows from Investing Activities			
Interest on investments	1,420	-	1,420
Net cash flows from investing activities	<u>1,420</u>	<u>-</u>	<u>1,420</u>
Net decrease in cash and cash equivalents	(183,649)	730	(182,918)
Cash and cash equivalents - beginning	512,771	8,837	521,608
Cash and cash equivalents - ending	<u>\$ 329,122</u>	<u>\$ 9,567</u>	<u>\$ 338,689</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ (1,829,726)	\$ (15,590)	\$ (1,845,316)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Depreciation	51,114	-	51,114
Interest	-	-	-
Noncash donations	113,464	-	113,464
Loss on disposal of assets	-	-	-
Changes in assets and liabilities:			
Receivables	-	5,248	5,248
Inventory	10,621	-	10,621
Accounts payable	3,455	5,072	8,527
Accrued liabilities	-	-	-
Deferred revenue	-	-	-
Due to other funds	-	-	-
Net Cash Provided by Operating Activities	<u>\$ (1,651,073)</u>	<u>\$ (5,270)</u>	<u>\$ (1,656,343)</u>

Noncash noncapital financing activities:

During the year the district received \$ 113,464 of food commodities from the U.S. Department of Agriculture.

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

ASSETS	<u>School Activity Funds</u>	<u>Private Purpose Trust Funds</u>	<u>Total Trust Agency Funds</u>
Current Assets			
Cash and cash equivalents	\$ 184,603	\$ 95,393	\$ 279,996
Accounts receivable	142		
Investments	-	4,636,004	4,636,004
Total current assets	<u>184,745</u>	<u>4,731,397</u>	<u>4,916,000</u>
Noncurrent Assets			
Capital assets	-	-	-
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 184,745</u>	<u>\$ 4,731,397</u>	<u>\$ 4,916,000</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 11,059	\$ 75,289	\$ 86,348
Due to student groups	173,687	-	173,687
Total current liabilities	<u>184,745</u>	<u>75,289</u>	<u>260,035</u>
Noncurrent Liabilities	-	-	-
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>\$ 184,745</u>	<u>\$ 75,289</u>	<u>\$ 260,035</u>
NET POSITION			
Restricted			
Held in trust for scholarships	-	4,656,109	4,656,109
Total net position	<u>\$ -</u>	<u>\$ 4,656,109</u>	<u>\$ 4,656,109</u>

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

**OHIO COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the year ended June 30, 2013**

	<u>School Activity Funds</u>	<u>Private Purpose Trust Funds</u>	<u>Total</u>
Additions			
Net interest and investment gains (losses)	\$ -	\$ 233,538	\$ 233,538
Private donations	-	21,325	21,325
Other additions	455,733	-	455,733
Total additions	<u>455,733</u>	<u>254,863</u>	<u>710,596</u>
Deductions			
Payments and Scholarships	-	250,834	250,834
Other deductions	455,733	232,470	688,203
Total deductions	<u>455,733</u>	<u>483,304</u>	<u>939,037</u>
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	-	(228,441)	(228,441)
Total net position, June 30, 2012	<u>-</u>	<u>4,840,628</u>	<u>4,840,628</u>
Total net position, June 30, 2013	<u>\$ -</u>	<u>\$ 4,612,187</u>	<u>\$ 4,612,187</u>

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

OHIO COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Ohio County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc., except for those funds administered as an activity in the agency funds.

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

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

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

Basis of Presentation

Government - wide Statements: The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the District. *Governmental activities* generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. *Business-type activities* are financed in whole or in part by fees charged to external parties.

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

OHIO COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

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

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

Fund Financial Statements: The fund financial statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category – *governmental, proprietary, and fiduciary* are presented. The emphasis of fund financial statements is on major governmental, enterprise, and fiduciary funds, each displayed in a separate column. All remaining governmental, enterprise, and fiduciary funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

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

The District has the following funds:

Governmental Fund Types

These are the funds through which most governmental functions typically are financed. These funds included in this category are as follows:

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

OHIO COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Fund Types (continued)

Special Revenue Fund accounts for proceeds of specific revenue sources (other than debt service, enterprise funds, or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as 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 addition, the Kentucky 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. These funds are restricted for the purchase of technology consistent with the District's approved technology plan. The Special Revenue Fund is a major fund of the District.

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds) and to provide financial resources for debt service requirements.

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, and certain operating costs.

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.

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

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

Proprietary Fund Types

These funds account for operations that are organized to be self-supporting through user charges. The funds included in this category are Enterprise Funds.

Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

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

OHIO COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary Fund Types (continued)

The School-wide Day Care Fund is used to account for after school and summer day care services offered to the general public.

The School Auditorium Fund is used to account for the funds donated in order to construct a school auditorium once adequate funds are received. The general public will have access to the auditorium.

Fiduciary Fund Type (includes agency and private purpose trust funds)

Fiduciary Funds account for assets held by the District in a trustee capacity (trust funds) or as an agent on behalf of others (agency funds).

The Agency Fund consists of Activity funds and accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with *Accounting Procedures for Kentucky School Activity Funds*.

The Private Purpose Trust Fund is used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

Basis of Accounting

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

The records of the District are maintained and the budgetary process is based on the modified accrual basis of accounting. This practice is the accounting method prescribed by the Committee for School District Audits. The District is required by state law to adopt annual budgets for the general fund, special revenue fund and capital projects funds. Each budget is presented on the modified actual basis of accounting which is consistent with the fund financial statement presentation with the exception of employee benefits paid by the state on behalf of the district. Such benefits are reported as expenditures in the General Fund financial statements based on labor distribution, but are not included in the annual budget.

For financial purposes, the accounting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for by using a current financial resources measurement focus. With this measurement focus, only current assets and liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in the fund balance.

OHIO COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting (continued)

The financial statements of governmental fund types are prepared on the modified accrual basis of accounting. On this basis of accounting, revenues are recognized when they become measurable and available as assets. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is interest on general long-term debt, which is recognized as an expenditure when paid. The proprietary funds are accounted for using the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when they are incurred.

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

Modified Accrual - Revenue from non-exchange transactions (e.g., grants, entitlements and donations) must be available to be recognized. These sources of revenue are recognized in the fiscal year in which all eligibility requirements have been satisfied. Under the modified accrual basis of accounting, revenues from exchange transactions are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For the District, "available" means within sixty days of June 30. Property tax revenue is recognized in the fiscal year for which the taxes are levied. Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. Under the modified basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

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

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

Investments

KRS 66.480 authorizes the District to invest in obligations of the United States, U.S. government obligations and contracts, obligations of U.S. government corporations, certificates of deposit, uncollateralized CD's, banker's acceptances, commercial paper, bonds of Kentucky, securities issued by states or local governments or shares of mutual funds.

Investments are reported at fair value which is determined using selected bases. Short term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates and investments that do not have an established market are reported at estimated fair value. Cash deposits are reported at carrying amount.

OHIO COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Process

The District is required by state law to adopt annual budgets for the general fund, special revenue funds, debt service fund and capital projects fund. Each budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles (GAAP).

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. Prior to May 15 of the preceding fiscal year, the district prepares a tentative working budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board of Education is then called for the purpose of adopting the tentative working budget by May 15.
3. Prior to September 15, the working budget is legally enacted through passage of a resolution by the Board of Education.
4. The budget must be submitted to the Kentucky Board of Education by September 15 for approval.

Once the budget is approved, it can be amended at the Function and Fund level. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended. Individual amendments were not material in relation to original appropriations. All budget appropriations lapse at year-end.

Cash and Cash Equivalents

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

Inventories

Inventory in the General Fund consists of transportation supplies. All other supplies and materials in the General Fund are charged to expenditures when purchased. Inventories are valued at cost using the first-in, first-out method.

The Food Service Fund's inventories consist of food and supplies valued at cost and government commodities, whose value is determined by the U.S. Department of Agriculture.

OHIO COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

Property Taxes

Property taxes collected are recorded as revenues in the fund for which they were levied. The assessment date of the property taxes is January 1 of each year. The levy is normally set during the September board meeting. Assuming property tax bills are timely mailed, the 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. However, during the year ending June 30, 2013, property tax bills were not timely mailed. Therefore, collections from September 15 through January 1 received a two percent discount. The due date period was from January 1 to January 31. Property taxes received after January 31 were considered delinquent and subject to penalty.

The property tax rates for assessed for the year ended June 30, 2012, to finance the General Fund operations were \$.451 per \$100 valuation of real property, \$.451 per \$100 valuation of business personal property and \$.518 per \$100 valuation fro motor vehicles.

OHIO COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property Taxes (continued)

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 communication services, cablevision services, electronic power, water, and natural, artificial and mixed gas.

Deferred Revenues

Revenues from federal, state and local grants are considered to be earned to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received they are recorded as deferred revenues until earned in the governmental funds financial statements.

Accrued Sick Leave

The District allows employees to accumulate and carry over sick days from year to year. The amount of total days that may be carried over from year to year is unlimited. Upon retirement from the school system, employees will receive an amount up to thirty percent (30%) of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the vesting method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. It is deemed probable that benefits will be paid to certified employees with twenty or more years experience and classified employees with ten or more years experience. At June 30, 2013, the accumulated sick leave liability totaled \$750,404.

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 "accrued sick leave" in the general fund. The noncurrent portion of the liability is not reported.

Net Position

In June 2011, the GASB issued State No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASBS No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes the following elements: assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011.

The District's net position is classified as follows:

Net Investment in Capital Assets: The District's investment in capital assets (net of accumulated depreciation) reduced by outstanding balances of notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted Net Position: Assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws, or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

OHIO COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position (continued)

Unrestricted Net Position: Assets whose use by the District is not subject to externally imposed stipulations. Unrestricted net position may be designed for specific purpose by action of the Board.

NOTE B - ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted 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 general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE C - CASH AND CASH EQUIVALENTS

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

At June 30, 2013, the carrying amount of the District's combined deposits (cash and cash equivalents) were \$5,813,185 and the bank balances were \$8,720,220, which were covered by the combination of FDIC insurance and collateral held by the District's agent in the District's name at June 30, 2013.

The carrying amounts of deposits in cash and cash equivalents reflected in the financial statements are:

Governmental funds	\$ 5,194,500
Proprietary funds	338,689
Fiduciary Funds	<u>279,996</u>
Total	<u>\$ 5,813,185</u>

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2013 all of the District's deposits meet current guidelines and none were exposed to custodial credit risk.

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

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

OHIO COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2013

NOTE C - CASH AND CASH EQUIVALENTS (continued)

Custodial Credit Risk – Deposits (continued)

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

Category 3 Deposits which are not collateralized or insured.

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

NOTE D - INVESTMENTS

The private purpose trust funds consist of the following investments at June 30, 2013:

Money market	\$	211,960
Stocks and mutual funds		884
Debt securities		<u>4,423,160</u>
Total	\$	<u>4,636,004</u>

Investments are included in the balance sheet at fair market value, under the caption Investments. The types of investments categorized below represent all types of investments utilized by the District during the period as of June 30, 2013:

Fund Type	Investment Type	Fair Value	Weighted Average Maturity (months)	Rating
Private Purpose Trust Fund	Money Market	\$ 211,960	N/A	NR
Private Purpose Trust Fund	Common Stock	884	N/A	NR
Private Purpose Trust Fund	Corporate	14,997	278	A3
Private Purpose Trust Fund	Kentucky Municipal	26,623	155	A+
Private Purpose Trust Fund	Kentucky Municipal	95,131	128	A2
Private Purpose Trust Fund	Kentucky Municipal	61,435	156	A3
Private Purpose Trust Fund	Kentucky Municipal	184,803	137	AA2
Private Purpose Trust Fund	Kentucky Municipal	1,214,858	165	AA3
Private Purpose Trust Fund	Kentucky Municipal	25,271	217	BAA1
Private Purpose Trust Fund	Kentucky Municipal	56,467	276	NR
Private Purpose Trust Fund	U.S. Agencies	2,743,575	313	AAA
	Total	\$ 4,636,004		

OHIO COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2013

NOTE D – INVESTMENTS (continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value and investment. The District manages its exposure to declines in fair value by purchasing a combination of shorter and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or approaching maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

The trust agreements do not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Under Kentucky Revised Statutes Section 66.480, the District is authorized to invest in obligations of the United States and its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or of its agencies, obligations of any corporation of the United States government, certificates of deposit, commercial paper rated in one of the three highest categories by nationally recognized rating agencies and shares in mutual funds. The District's investment policy only allows investment choices that are in compliance with the state statutes. All investments held by the District are insured or collateralized with securities held by the District or by its agent in the District's name, except for the money market mutual funds.

Under trust agreements, the District is authorized to invest in income producing assets which are insured by either the federal or any state government, or instrumentalities thereof, or in items known as "investment grade securities." Prior to the death of the settler, the assets are required to be such items that will produce income free and clear of federal and Kentucky income taxes. After the death of the settler, the investments are limited only to prevailing state statutes.

Concentration of Credit Risk

The trust agreements do not place a limit on the amount the District may invest in any one issuer. More than five percent of the trust's investments are in, U.S. agency, and Kentucky municipal bonds. These investments are 59% and 36%, respectively, of the trust's total investments.

OHIO COUNTY SCHOOL DISTRICT
Notes to the Basic Financial Statements
June 30, 2013

NOTE E - CAPITAL ASSETS

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

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Governmental Activities:				
Capital assets not depreciated:				
Land	\$ 456,873	\$ -	\$ -	\$ 456,873
Construction in progress	1,908,475	888,871	1,980,680	816,666
Total capital assets not depreciated	2,365,348	888,871	1,980,680	1,273,539
Capital assets depreciated:				
Land improvements	2,127,822	293,275	-	2,421,097
Buildings	67,794,868	1,748,155	-	69,543,023
Equipment	3,297,912	58,110	144,203	3,211,819
Technology equipment	3,278,539	82,588	267,417	3,093,710
Vehicles	4,175,172	96,267	22,108	4,249,331
Total capital assets depreciated	80,674,313	2,278,395	433,728	82,518,980
Less accumulated depreciation:				
Land improvements	1,085,634	104,355	-	1,189,989
Buildings	24,865,492	1,483,513	-	26,349,005
Equipment	1,663,910	191,829	77,906	1,777,833
Technology equipment	2,302,355	386,423	301,071	2,387,707
Vehicles	3,012,052	255,090	22,108	3,245,034
Total accumulated depreciation	32,929,443	2,421,210	401,085	34,949,568
Total capital assets depreciated, net	47,744,870	(142,815)	32,643	47,569,414
Total capital assets, net	\$ 50,110,218	\$ 746,056	\$ 2,013,323	\$ 48,842,951
Business-type activities:				
Capital assets depreciated:				
Equipment	\$ 1,217,369	\$ 14,805	\$ 19,870	\$ 1,212,304
Technology equipment	26,664	-	599	26,065
Total capital assets depreciated	1,244,033	14,805	20,469	1,238,369
Less accumulated depreciation:				
Equipment	805,237	48,504	19,870	833,871
Technology equipment	19,742	2,610	599	21,753
Total accumulated depreciation	824,979	51,114	20,469	855,624
Total capital assets depreciated, net	419,054	(36,309)	-	382,745
Total capital assets, net	\$ 419,054	\$ (36,309)	\$ -	\$ 382,745

OHIO COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2013

NOTE F - BOND AND OTHER LONG-TERM DEBT

The District is required to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Ohio County Public School District Finance Corporation to construct school facilities. Current requirements for principal and interest expenditures are accounted for in the Building Fund in accordance with state law. The District is liable for all issues; however, School Facilities Construction Commission participates by contributing those portions of debt that are appropriated in the State's biennial budget.

The District is contingently liable for the debt listed below under Kentucky School Facilities Construction Commission (KSFCC). The Kentucky General Assembly created the KSFCC for the purpose of assisting local schools in meeting school construction needs.

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

<u>Issue</u>	<u>Original Amount</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>
2003A	2,460,000	2014	2.80-3.00%
2005	4,450,000	2020	3.375-4.10%
2008	11,105,000	2028	3.50-5.40%
2009	565,000	2029	3.875%
2010	930,000	2019	1.20-3.10%
2010	890,000	2030	1.40-4.80%
2010 2 ND	1,615,000	2014	1.50%
2010 3 RD	1,340,000	2022	1.00-2.50%
2013	750,000	2033	2.76%
2013B	1,960,000	2016	.694%

On June 20, 2013, the District issued \$1.96 million in School Building Refunding Revenue Bonds with an average interest rate of .694 percent to currently refund \$1.945 million of outstanding 2003B Series bonds with an average interest rate of 3.2 percent. The net proceeds of \$1.948 million (after payment of \$13,914 in underwriting fees, insurance, and other issuance costs) were used to call the 2003B Series bonds. As a result, the 2003B Series bonds are considered to be defeased and the liability for those bonds has been removed from the general long-term debt account group.

The District refunded the 2003B Series bonds to reduce its total debt service payments over the next three years by \$76,563 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$78,212.

OHIO COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2013

NOTE F - BOND AND OTHER LONG-TERM DEBT (continued)

Assuming the issues are not called prior to scheduled maturity, the minimum obligations at June 30, 2013 for debt service are as follows, which includes "participation agreements" with the Kentucky School Facilities Construction Commission:

Year	Ohio County School District		School Facilities Construction Commission		Total
	Principal	Interest	Principal	Interest	
2014	\$ 903,718	\$ 633,966	\$ 701,282	\$ 122,429	\$ 2,361,395
2015	936,996	633,998	218,004	104,293	1,89,291
2016	950,933	620,830	224,067	98,222	1,894,052
2017	994,557	607,050	220,443	91,577	1,913,627
2018	1,027,880	569,667	227,120	84,089	1,908,756
2019	1,067,293	530,333	242,707	76,262	1,916,595
2020	1,110,297	489,480	134,703	67,814	1,802,294
2021	1,155,034	445,711	139,966	62,551	1,803,262
2022	1,199,256	406,572	145,744	56,772	1,808,344
2023	1,242,922	365,107	152,078	50,439	1,810,546
2024	1,296,170	310,498	158,830	43,688	1,809,186
2025	1,354,119	253,437	165,881	36,637	1,810,074
2026	1,416,755	193,796	173,245	29,272	1,813,068
2027	1,478,978	131,350	181,022	21,495	1,791,350
2028	1,410,765	64,758	189,235	13,282	1,678,040
2029	65,587	6,265	49,413	4,696	125,961
2030	51,392	4,797	38,608	2,397	97,194
2031	49,359	3,861	30,641	736	84,597
2032	45,000	2,700	-	-	47,700
2033	45,000	1,350	-	-	46,350
Total	\$ 17,802,011	\$ 6,275,526	\$ 3,392,989	\$ 966,651	\$ 28,437,177

The District has entered into agreements to lease various facilities and equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations.

Maturities of capital leases are as follows for the fiscal year ending June 30:

2014	\$ 92,628
2015	14,136
2016	4,201
Total	\$ 110,965

OHIO COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2013

NOTE F - BOND AND OTHER LONG-TERM DEBT (continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
PRIMARY GOVERNMENT					
Leases	\$ 259,800	\$ -	\$ 148,835	\$ 110,965	\$ 92,628
Revenue bonds	22,010,000	2,710,000	3,525,000	21,195,000	1,605,000
Accrued sick leave	740,799	108,582	98,977	750,404	86,922
	<u>\$23,010,599</u>	<u>\$2,818,582</u>	<u>\$3,772,812</u>	<u>\$22,056,369</u>	<u>\$1,784,550</u>

NOTE G - RETIREMENT PLANS

Kentucky Teachers' Retirement System (KTRS)

The District contributes to the Teachers' Retirement System of Kentucky (KTRS), a cost-sharing, multiple employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by KY Department of Education (KDE). Job classifications that permit experience to substitute for either of these requirements do not participate in KTRS.

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

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

Medical Insurance Plan

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

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

OHIO COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2013

NOTE G - RETIREMENT PLANS (continued)

Funding policy: In order to fund the post-employment healthcare benefit, active member contributions are matched by the state at .75% of members' gross salaries. Member contributions are 1.75% of salary. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan. Additionally, under the Shared Responsibility Plan, the local school district employers pay 1.0% of members' salary for the 2012-2013 fiscal year.

The District's total payroll for the year was \$ 21,129,679. The payroll for employees covered under KTRS was \$ 15,598,242. For the year ended June 30, 2013, the Commonwealth contributed \$ 1,845,767 to KTRS for the benefit of participating employees. The District's contributions to KTRS for the year ending June 30, 2013 were \$ 354,363, which represents those employees covered by federal programs.

On-behalf Payments: The District records the 13.105% and 14.105% contributions made by the Commonwealth of Kentucky, as required to conform with generally accepted accounting principles. This amount was \$ 1,845,767.

County Employees Retirement System (CERS)

Plan Description: All full-time employees of the Ohio County School District that are not covered under KTRS, are covered by the County Employees Retirement System (CERS), which is a cost-sharing multiple-employer defined benefit plan. KRS 78.510 through 78.852 of the Commonwealth of Kentucky assigns the authority to establish and amend the benefit provision of the plan. The County Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601-6124, or by calling 502-564-4646.

Funding Policy: CERS members are required to contribute 5% (6% for those starting after September 1, 2011) of their gross earnings to the pension plan. The District is required to contribute at an actuarially determined rate; the current rate is 19.55% of the annual covered payroll. The contribution requirements of plan members and the employers are established and may be amended by the CERS Board of Trustees as required by KRS 61.565.

The District's total payroll for the year ended June 30, 2013 was \$ 21,129,679 and the payroll for employees covered under CERS was \$ 5,408,537. The contribution requirement for CERS for the year ended June 30, 2013 was \$ 1,313,542 which consisted \$ 1,046,528 from the District and \$ 267,014 from the employees.

Benefits: The pension plan provides for retirement, disability, and death benefits. A member may retire after reaching the age of 55 or accumulating 27 years of service with the District or another entity covered by the CERS. Benefits vest after 5 years of service. Employees who retire at or after age 65 with 48 or more months of credited service are entitled to pension payments for the remainder of their lives equal to between 2.0% and 2.2% of their final, five-year average salary times the number of years for which they were employed by a participant in the retirement system. The final compensation is the average of the five fiscal years during which the member had the highest average monthly salary.

OHIO COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2013

NOTE G - RETIREMENT PLANS (continued)

Pension provisions include death and disability benefits. Disability benefits are calculated the same as for normal retirement except that additional years of service may be added to the employee's account, depending on the employee's age and years of service. Death benefits payable to the beneficiary are based on the amount payable had the member filed for retirement at the time of death. If the beneficiary is one person, that person may choose a lifetime monthly benefit.

Three-year Trend Information. Employer contributions (in thousands):

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
2011	\$ 933	100%	\$ -0-
2012	\$ 1,059	100%	\$ -0-
2013	\$ 1,046	100%	\$ -0-

NOTE H - COMMITMENTS AND 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 indicates 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 grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

During the fiscal year ended June 30, 2012, The District received checks totaling \$90,152 from Conseco Life Insurance Company. By letter dated June 1, 2012, Conseco requested the return of the entire amount. Discussions are still in process to determine who is the rightful owner of the funds. Until such time as ownership has been established, the District has opened a separate interest bearing account to hold the funds. It is at least reasonably possible the District will have to repay these funds.

The District participates in the Kentucky School Boards Insurance Trust (KSBIT) workers' compensation insurance pool. KSBIT has informed its members that the pool is running at a deficit. Potential assessments have been made to each district. The District's potential share was estimated at \$681,821. As this is a continuing negotiation process for KSBIT and the final liability not set, the District has not accrued this expense.

The District is subject to various legal actions in various stages 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.

NOTE I – RISK MANGEMENT

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 which include workers' compensation insurance.

OHIO COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2013

NOTE I – RISK MANGEMENT (continued)

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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.

Workers' Compensation The District pays a quarterly 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.

Unemployment Insurance

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

NOTE J – COBRA

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

NOTE K - DEFICIT OPERATING/FUND BALANCES

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

Special Revenue	\$ (266,514)
Construction Fund	(83,704)
Food Service Fund	(121,631)
Day Care Fund	(9,590)
Private Purpose Trust Fund	(228,441)

OHIO COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2013

NOTE L - TRANSFER OF FUNDS

The following transfers were made during the year.

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	1	2	Operating	\$ 378,386
Operating	2	2	Operating	56,678
Operating	2	1	Operating	38,449
Operating	51	1	Indirect Costs	181,097
Operating	1	360	Construction	38,460
Operating	1	56	Operating	6,000
Operating	310	1	Operating	115,894
Operating	2	1	Indirect Costs	52,486
Operating	320	400	Debt Service	1,293,268
Operating	400	360	Construction	741,832
Operating	310	400	Debt Service	239,069
				<u>3,141,619</u>
Operating	51	1	Indirect Costs	181,097
Operating	1	56	Operating	<u>(6,000)</u>
				175,097
				<u>\$ 2,966,522</u>

NOTE M - ON - BEHALF PAYMENTS

For the year ended June 30, 2013, total payments of \$ 5,872,515 were made for life insurance, health insurance, KTRS matching and administrative fees by the Commonwealth of Kentucky on behalf of the District. For the year ended June 30, 2013, total payments of \$ 735,784 were made for bond payments by the Kentucky School Facility Construction Commission. These payments were recognized as on-behalf payments and recorded in the appropriate fund's revenue and expense accounts on the statement of revenue, expenditures and changes in fund balances.

NOTE N - FUND BALANCE

Nonspendable Fund Balance includes amounts that are (a) not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable. At June 30, 2013, the District had nonspendable fund balances of \$342,971 for prepaid expenses and inventories in the General Fund.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2013, the District had the restricted \$100,000 for sick leave payable in the General Fund; \$ 141,959 for fixed assets in the Special Revenue Fund; \$1,907,621 for capital projects in the Construction Fund; \$33,675 in the SEEK Capital Outlay Fund; and \$2,162 in the Debt Service Funds.

OHIO COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2013

NOTE N – FUND BALANCE (continued)

Committed fund balances are those amounts that can only be used for specific purpose pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. At June 30, 2013, the District had committed \$1,097,864 for new assets in the General Fund.

Assigned fund balances are those amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrances of funds.

Assigned fund balance also include (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for specific purpose. At June 30, 2013, the District had assigned the following fund balance for Purchase Order Obligations: \$359,396 in the General Fund.

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

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

NOTE O - SUBSEQUENT EVENTS

At the October 2013 board meeting the board approved transferring the Auxiliary Gym Project funds to the General Fund Restricted Construction Fund in the amount of \$1,679,758.

The District did not have any other subsequent events through November 14, 2012, which is the date the financial statements were available to be issued for events requiring recording or disclosure in the financial statements for the year ended June 30, 2013.

SUPPLEMENTARY INFORMATION

OHIO COUNTY SCHOOL DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
From local sources				
Property taxes	\$ 3,568,000	\$ 3,655,000	\$ 3,920,331	\$ 265,331
Motor vehicle taxes	625,500	606,500	672,444	65,944
Unmined minerals	425,000	425,000	270,359	(154,641)
Utility taxes	1,300,000	1,300,000	1,480,120	180,120
Franchise taxes	-	-	-	-
Other taxes	30,000	30,000	35,344	5,344
Revenue other local government units	-	-	-	-
Tuition and fees	-	48,267	53,417	5,150
Transportation	-	-	-	-
Earnings on Investments	20,000	20,000	28,970	8,970
Student activities	-	-	-	-
Community service activities	-	-	-	-
Other local revenues	251,000	251,000	233,749	(17,251)
State sources				
SEEK	15,923,267	15,875,000	16,279,353	404,353
Other	120,000	120,000	5,737,076	5,617,076
Federal - direct	150,000	150,000	84,198	(65,802)
Federal - indirect	-	-	-	-
Intermediate sources	-	-	-	-
Other revenues	-	-	2,625	2,625
Total revenues	22,412,767	22,480,767	28,797,986	6,317,219
Expenditures				
Instruction	12,501,153	12,496,198	16,258,891	(3,762,893)
Support services				
Student	995,311	1,045,424	1,257,685	(212,261)
Instruction staff	931,916	920,567	1,188,977	(268,410)
District administration	1,589,628	2,032,196	512,337	1,519,859
School administration	1,862,814	1,625,856	1,883,249	(257,393)
Business	830,859	789,159	1,077,561	(288,402)
Plant operation and maintenance	3,260,152	3,260,152	3,394,424	(134,273)
Student transportation	2,286,219	2,286,248	2,657,558	(371,310)
Central office	-	-	-	-
Food service operation	-	-	1,310	(1,310)
Community services	-	-	58,064	(58,064)
Facilities acquisition and construction	-	-	-	-
Other	-	-	-	-
Total expenditures	24,257,852	24,455,799	28,290,056	(3,834,257)
Excess (deficit) of revenues over expenditures	(1,845,085)	(1,975,032)	507,930	2,482,962
Other Financing Sources (Uses)				
Capital lease proceeds	-	-	-	-
Operating transfers in	210,585	210,585	387,626	177,041
Operating transfers out	(125,989)	(446,933)	(422,846)	24,087
Total other financing sources (uses)	84,616	(236,348)	(35,219)	201,129
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(1,760,469)	(2,211,380)	472,710	2,684,090
Net change in fund balances	(1,760,469)	(2,211,380)	472,710	2,684,090
Fund balance, June 30, 2012	1,400,000	2,211,380	3,203,862	992,482
Fund balance, June 30, 2013	\$ -	\$ -	\$ 3,676,572	\$ 3,676,572

Note : On-behalf payments are not budgeted.

OHIO COUNTY SCHOOL DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule - Special Revenue Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
From local sources				
Property taxes	\$ -	\$ -	\$ -	\$ -
Motor vehicle taxes	-	-	-	-
Unmined minerals	-	-	-	-
Utility taxes	-	-	-	-
Other taxes	-	-	-	-
Revenue other local government units	-	-	-	-
Tuition and fees	-	-	-	-
Transportation	-	-	-	-
Earnings on investments	-	-	138	138
Food service	-	-	11,733	-
Student activities	8,888	8,888	74,533	65,645
Other local revenues	153,250	163,171	365,449	222,278
State sources	-	-	-	-
SEEK	-	-	-	-
Other	1,308,783	1,300,325	1,312,571	12,246
Federal - direct	-	-	-	-
Federal - indirect	2,650,058	2,679,479	2,612,854	(66,625)
Intermediate sources	-	-	-	-
Other revenues	-	3,275	-	(3,275)
Total revenues	4,120,979	4,155,138	4,397,278	230,407
Expenditures				
Instruction	3,052,241	3,059,928	3,447,254	(387,326)
Support services				
Student	12,261	12,056	26,766	(14,710)
Instruction staff	428,005	475,450	629,952	(154,502)
District administration	-	-	-	-
School administration	-	1,255	5,981	(4,726)
Business	290,000	283,574	362,373	(98,799)
Plant operation and maintenance	-	-	2,372	(2,372)
Student transportation	17,122	25,956	83,206	(57,250)
Central office	-	-	-	-
Food service operation	4,814	4,814	3,594	1,220
Community services	381,305	381,305	390,045	(8,741)
Facilities acquisition and construction	-	-	-	-
Other	-	-	-	-
Total expenditures	4,185,748	4,224,338	4,951,544	(727,206)
Excess (deficit) of revenues over expenditures	(64,769)	(69,200)	(554,265)	(496,799)
Other Financing Sources (Uses)				
Operating transfers in	155,837	142,527	435,076	292,549
Operating transfers out	(91,068)	(90,369)	(147,325)	(56,956)
Total other financing sources (uses)	64,769	52,158	287,751	235,594
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	-	(17,042)	(266,514)	(249,472)
Net change in fund balances	-	(17,042)	(266,514)	(249,472)
Fund balance, June 30, 2012	-	-	408,473	408,473
Fund balance, June 30, 2013	\$ -	\$ (17,042)	\$ 141,959	\$ 159,001

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

	<u>Capital Outlay Fund</u>	<u>Building Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Govt. Funds</u>
ASSETS				
Cash and cash equivalents	\$ 36,008	\$ -	\$ 2,162	\$ 38,170
Investments	-	-	-	-
Accounts receivable	-	-	-	-
Taxes - current	-	-	-	-
Taxes - delinquent	-	-	-	-
Other	-	-	-	-
Intergovernmental - State	-	-	-	-
Intergovernmental - Federal	-	-	-	-
Prepaid expense	-	-	-	-
Due from other funds	-	-	-	-
Interest receivable	-	-	-	-
Total assets	<u>\$ 36,008</u>	<u>\$ -</u>	<u>\$ 2,162</u>	<u>\$ 38,170</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Retained percentage contracts	-	-	-	-
Accrued payroll and related expenses	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenues	-	-	-	-
Obligations under capital lease	-	-	-	-
Debt obligations	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances				
Nonspendable	-	-	-	-
Restricted	33,675	-	2,162	35,837
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	2,333	-	-	2,333
Total fund balances	<u>36,008</u>	<u>-</u>	<u>2,162</u>	<u>38,170</u>
Total liabilities and fund balances	<u>\$ 36,008</u>	<u>\$ -</u>	<u>\$ 2,162</u>	<u>\$ 38,170</u>

OHIO COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended June 30, 2012

Revenues	Capital Outlay Fund	Building Fund	Debt Service Fund	Total Nonmajor Govt. Funds
From local sources				
Property taxes	\$ -	\$ 533,417	\$ -	\$ 533,417
Motor vehicle taxes	-	61,256	-	61,256
Unmined minerals	-	-	-	-
Utility taxes	-	-	-	-
Other taxes	-	-	-	-
Revenue other local government units	-	-	-	-
Tuition and fees	-	-	-	-
Transportation	-	-	-	-
Earnings on investments	108	-	1	109
Student activities	-	-	-	-
Other local revenues	-	-	-	-
State sources				
SEEK	-	-	-	-
Other	356,764	698,595	878,356	1,933,715
Intermediate sources				
Federal - direct	-	-	-	-
Immediate sources				
Other revenues	-	-	11,422	11,422
Total revenues	<u>356,872</u>	<u>1,293,268</u>	<u>889,779</u>	<u>2,539,919</u>
Expenditures				
Instruction	-	-	-	-
Support services				
Student	-	-	-	-
Instruction staff	-	-	-	-
District administration	-	-	-	-
School administration	-	-	-	-
Business	-	-	-	-
Plant operation and maintenance	-	-	-	-
Student transportation	-	-	-	-
Central office	-	-	-	-
Food service operation	-	-	-	-
Community service activities	-	-	-	-
Facilities acquisition and construction	-	-	-	-
Other	-	-	2,454,381	2,454,381
Total expenditures	<u>-</u>	<u>-</u>	<u>2,454,381</u>	<u>2,454,381</u>
Excess (deficit) of revenues over expenditures	<u>356,872</u>	<u>1,293,268</u>	<u>(1,564,602)</u>	<u>85,538</u>
Other Financing Sources (Uses)				
Proceeds of bond	-	-	750,000	750,000
Proceeds of refunding bond	-	-	1,969,396	1,969,396
Payment to refunding bond escrow agent	-	-	(1,945,000)	(1,945,000)
Operating transfers in	-	-	1,532,337	1,532,337
Operating transfers out	(354,963)	(1,293,268)	(741,831)	(2,390,062)
Total other financing sources (uses)	<u>(354,963)</u>	<u>(1,293,268)</u>	<u>1,564,902</u>	<u>(83,329)</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>1,909</u>	<u>-</u>	<u>300</u>	<u>2,209</u>
Net change in fund balances	1,909	-	300	2,209
Fund balance, June 30, 2012	<u>34,099</u>	<u>-</u>	<u>1,862</u>	<u>35,961</u>
Fund balance, June 30, 2013	<u>\$ 36,008</u>	<u>\$ -</u>	<u>\$ 2,162</u>	<u>\$ 38,170</u>

**OHIO COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
June 30, 2013**

ASSETS	<u>School Age Child Care Program</u>	<u>School Auditorium</u>	<u>Total</u>
Current Assets			
Cash and cash equivalents	\$ 6,065	\$ 3,502	\$ 9,567
Accounts receivable - other	-	-	-
Inventories	-	-	-
Total current assets	<u>6,065</u>	<u>3,502</u>	<u>9,567</u>
Noncurrent Assets			
Capital assets	-	-	-
Less: Accumulated depreciation	-	-	-
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 6,065</u>	<u>\$ 3,502</u>	<u>\$ 9,567</u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 495	\$ -	\$ 495
Interfund payables	5,120	-	5,120
Total current liabilities	<u>5,615</u>	<u>-</u>	<u>5,615</u>
Total liabilities	<u>\$ 5,615</u>	<u>\$ -</u>	<u>\$ 5,615</u>
NET POSITION			
Net investment in capital assets	-	-	-
Restricted	450	3,502	3,952
Unrestricted	-	-	-
Total net position	<u>\$ 450</u>	<u>\$ 3,502</u>	<u>\$ 3,952</u>

OHIO COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
NONMAJOR PROPRIETARY FUNDS
For the year ended June 30, 2013

	School Age Child Care Program	School Auditorium	Total
Operating Revenues			
Food service sales	\$ -	\$ -	\$ -
Other operating revenues	94,550	-	94,550
Total operating revenues	<u>94,550</u>	<u>-</u>	<u>94,550</u>
Operating Expenses			
Salaries and wages	151,484	-	151,484
Professional and contract services	932	-	932
Supplies and materials	2,885	-	2,885
Depreciation	-	-	-
Other operating expenses	50	-	50
Total operating expenses	<u>155,351</u>	<u>-</u>	<u>155,351</u>
Operating income (loss)	<u>(60,801)</u>	<u>-</u>	<u>(60,801)</u>
Nonoperating revenues (expenses)			
Federal grants	-	-	-
State grants	45,211	-	45,211
Other state funding	-	-	-
Donated commodities	-	-	-
Interest income	-	-	-
Total nonoperating revenues (expenses)	<u>45,211</u>	<u>-</u>	<u>45,211</u>
Net income (loss) before transfers	<u>(15,590)</u>	<u>-</u>	<u>(15,590)</u>
Transfers in	6,000	-	6,000
Transfers out	-	-	-
Change in Net Position	<u>(9,590)</u>	<u>-</u>	<u>\$ (9,590)</u>
Total net position June 30, 2012	<u>10,040</u>	<u>3,502</u>	<u>\$ 13,542</u>
Total net position June 30, 2013	<u>\$ 450</u>	<u>\$ 3,502</u>	<u>\$ 3,952</u>

**OHIO COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
For the year ended June 30, 2013**

	School Age Child Care Program	School Auditorium	Total
Cash Flows from Operating Activities			
Cash received from lunchroom sales	\$ -	\$ -	\$ -
Cash received from government grants	45,211	-	45,211
Cash received from other activities	99,798	-	99,798
Cash payments to employees for services	(146,412)	-	(146,412)
Less accrued liability	-	-	-
Cash payments to suppliers for goods and services	(3,817)	-	(3,817)
Cash payments for other operating activities	(50)	-	(50)
Net cash from operating activities	<u>(5,270)</u>	<u>-</u>	<u>(5,270)</u>
Cash Flows from Capital Financing Activities			
Transfers	6,000	-	6,000
Acquisition of capital assets	-	-	-
Disposal of capital assets	-	-	-
Net cash from capital financing activities	<u>6,000</u>	<u>-</u>	<u>6,000</u>
Cash Flows from Noncapital Financing Activities			
Nonoperating grants received	-	-	-
Net cash from noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows from Investing Activities			
Interest on investments	-	-	-
Net cash flows from investing activities	<u>-</u>	<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents	730	-	730
Cash and cash equivalents - beginning	5,335	3,502	8,837
Cash and cash equivalents - ending	<u>\$ 6,065</u>	<u>\$ 3,502</u>	<u>\$ 9,567</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ (15,590)	\$ -	\$ (15,590)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Depreciation	-	-	-
Interest	-	-	-
Loss on disposal of assets	-	-	-
Changes in assets and liabilities:			
Receivables	5,248	-	5,248
Inventory	-	-	-
Accounts payable	5,072	-	5,072
Accrued liabilities	-	-	-
Deferred revenue	-	-	-
Due to other funds	-	-	-
Net Cash Provided by Operating Activities	<u>\$ (5,270)</u>	<u>\$ -</u>	<u>\$ (5,270)</u>

Noncash noncapital financing activities:

**OHIO COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF NET POSITION
AGENCY FUNDS
June 30, 2013**

	Southern Elementary School	Western Elementary School	Wayland Alexander Elementary School	Fordsville Elementary School	Horse Branch Elementary School	Beaver Dam Elementary School	Ohio County Middle School	Ohio County High School	Totals
ASSETS									
Cash and cash equivalents	\$ 15,602	\$ 7,548	\$ 12,036	\$ 4,506	\$ 10,836	\$ 15,993	\$ 45,226	\$ 72,857	\$ 184,603
Accounts receivable	-	-	-	-	-	-	-	142	142
Total assets	<u>\$ 15,602</u>	<u>\$ 7,548</u>	<u>\$ 12,036</u>	<u>\$ 4,506</u>	<u>\$ 10,836</u>	<u>\$ 15,993</u>	<u>\$ 45,226</u>	<u>\$ 72,999</u>	<u>\$ 184,745</u>
LIABILITIES AND NET POSITION									
Liabilities									
Accounts payable	-	-	-	-	-	-	-	11,059	11,059
Due to student groups	15,602	7,548	12,036	4,506	10,836	15,993	45,226	61,940	173,687
Total liabilities	<u>\$ 15,602</u>	<u>\$ 7,548</u>	<u>\$ 12,036</u>	<u>\$ 4,506</u>	<u>\$ 10,836</u>	<u>\$ 15,993</u>	<u>\$ 45,226</u>	<u>\$ 72,999</u>	<u>\$ 184,745</u>
Net position									
Unrestricted	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-
Total net position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and net position	<u>\$ 15,602</u>	<u>\$ 7,548</u>	<u>\$ 12,036</u>	<u>\$ 4,506</u>	<u>\$ 10,836</u>	<u>\$ 15,993</u>	<u>\$ 45,226</u>	<u>\$ 72,999</u>	<u>\$ 184,745</u>

OHIO COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION
AGENCY FUNDS
For the year ended June 30, 2013

	Southern Elementary School	Western Elementary School	Wayland Alexander Elementary School	Fordsville Elementary School	Horse Branch Elementary School	Beaver Dam Elementary School	Ohio County Middle School	Ohio County High School	Totals
Revenues									
From local sources									
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Motor vehicle taxes	-	-	-	-	-	-	-	-	-
Unmined minerals	-	-	-	-	-	-	-	-	-
Utility taxes	-	-	-	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-	-	-	-
Revenue other local government units	-	-	-	-	-	-	-	-	-
Tuition and fees	-	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-	-
Earnings on investments	-	-	-	-	-	-	-	-	-
Student activities	14,963	13,719	38,467	13,851	4,692	43,948	67,719	258,373	455,733
Other local revenues	-	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-	-	-
SEEK	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Intermediate sources	-	-	-	-	-	-	-	-	-
Federal - direct	-	-	-	-	-	-	-	-	-
Federal - indirect	-	-	-	-	-	-	-	-	-
Other revenues	-	-	-	-	-	-	-	-	-
Total revenues	<u>14,963</u>	<u>13,719</u>	<u>38,467</u>	<u>13,851</u>	<u>4,692</u>	<u>43,948</u>	<u>67,719</u>	<u>258,373</u>	<u>455,733</u>
Expenditures									
Instruction	13,897	13,929	44,668	16,322	5,645	43,782	71,521	243,677	453,441
Support services									
Student	-	-	-	-	-	-	-	-	-
Instruction staff	-	-	-	-	-	-	-	-	-
District administration	-	-	-	-	-	-	-	-	-
School administration	-	-	-	-	-	-	-	-	-
Business	-	-	-	-	-	-	-	-	-
Plant operation and maintenance	-	-	-	-	-	-	-	-	-
Student transportation	-	-	-	-	-	-	-	-	-
Central office	-	-	-	-	-	-	-	-	-
Food service operation	-	-	-	-	-	-	-	-	-
Community service activities	-	-	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Other	1,067	(210)	(6,202)	(2,471)	(953)	166	(3,801)	14,696	2,292
Total expenditures	<u>14,963</u>	<u>13,719</u>	<u>38,467</u>	<u>13,851</u>	<u>4,692</u>	<u>43,948</u>	<u>67,719</u>	<u>258,373</u>	<u>455,733</u>
Excess (deficit) of revenues over expenditures	-	-	-	-	-	-	-	-	-
Other Financing Sources (Uses)									
Operating transfers in	-	-	-	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	-	-	-	-	-	-	-	-	-
Net change in net position	-	-	-	-	-	-	-	-	-
Net position, June 30, 2012	-	-	-	-	-	-	-	-	-
Net position, June 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**OHIO COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND NET POSITION
OHIO COUNTY HIGH SCHOOL
ACTIVITY FUND
Year Ended June 30, 2013**

	Cash Balance 6/30/12	Receipts	Dis- bursements	Transfers	Cash Balance 6/30/13	Accounts Receivable (Payable)	Net Position 6/30/13
Athletics	\$ -	\$ 40,563	\$ 40,944	\$ 381	\$ -	\$ -	\$ -
Football	-	-	-	-	-	-	-
Baseball	-	-	-	-	-	-	-
Ceramics-Student Fund	40	5,759	4,997	18	820	-	820
Broad Casting	-	50	-	-	50	-	50
Refs	-	25,562	25,562	-	-	-	-
Football Playoffs	-	-	-	-	-	-	-
Boys District Soccer	-	506	577	71	-	-	-
Girls District Soccer	-	1,123	1,123	-	-	-	-
District Volleyball	-	-	-	-	-	-	-
Boys Regional Soccer	-	4,540	4,469	(71)	-	-	-
Parking Decal Fee	521	175	-	-	696	-	696
Locker Rental Fee	13	2,247	1,788	-	472	-	472
JROTC-Student Fees	1,405	11,251	10,107	783	3,332	(114)	3,218
Girls District Tourney	-	-	-	-	-	-	-
Girls Regional Tourney	-	-	-	-	-	-	-
Boys District Tourney	-	-	-	-	-	-	-
Boys Regional Tourney	-	-	-	-	-	-	-
Art Club	-	3,173	2,552	75	696	-	696
Art Trip	-	-	32	32	-	-	-
Beta Club	137	9,363	9,203	367	664	-	664
Band Fees	-	420	400	100	120	-	120
Music Technology	69	-	-	(69)	-	-	-
Drama Club	307	-	268	-	39	-	39
English-Poetry	218	-	70	-	148	-	148
FCF	1,040	-	338	-	702	-	702
Photography Class	22	440	432	-	30	-	30
French Club	-	-	-	-	-	-	-
FFA	227	6,870	4,988	5	2,114	-	2,114
FCCLA	491	8,172	8,217	(97)	349	-	349
EBD	48	-	48	-	-	-	-
NHS	630	1,133	1,708	182	237	-	237
Pep Club	1,306	4,805	3,953	(341)	1,817	-	1,817
International Club	1,293	681	1,041	-	933	-	933
Student Council	384	-	137	-	247	-	247
STLP	643	-	-	-	643	-	643
Music Technology	-	-	-	-	-	-	-
OC Drug Free	106	4,212	2,855	(300)	1,163	-	1,163
Science Department	705	2,280	2,342	-	643	-	643
Intro to 3D	123	245	368	-	-	-	-
Theatrical Arts	105	120	-	-	225	-	225

**OHIO COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND NET POSITION
OHIO COUNTY HIGH SCHOOL
ACTIVITY FUND
Year Ended June 30, 2013**

	Cash Balance 6/30/12	Receipts	Dis- bursements	Transfers	Cash Balance 6/30/13	Accounts Receivable (Payable)	Net Position 6/30/13
Celebration of Life	\$ -	\$ 1,384	\$ 615	\$ (385)	\$ 384	\$ -	\$ 384
Teacher Fund	132	13,822	6,437	293	7,810	(7,280)	530
Family Consumer Science	57	3,416	3,066	-	407	-	407
Spanish Honors Society	-	377	130	-	247	-	247
Class of 2015	-	-	-	842	842	-	842
Academic Team	-	900	827	-	73	-	73
Horticulture	6,267	6,553	7,662	2,732	7,890	-	7,890
Eagle Excellence	882	610	1,100	60	452	-	452
VO AG Dept	132	21,017	21,250	2,521	2,420	(569)	1,851
Senior Class	-	-	-	-	-	-	-
Freshman Academy	-	8,527	8,521	-	6	-	6
Math Department	32	2,433	2,394	-	71	32	103
Christmas Wish	-	3,535	4,200	829	164	-	164
Seniors Activities	1,476	4,805	7,256	2,114	1,139	-	1,139
Law Enforcement Volunteers	-	-	-	-	-	-	-
General Fund	9,183	4,500	4,701	69	9,051	-	9,051
Jake Russell Scholarship	1,990	1,025	-	-	3,015	-	3,015
Paige Iglehard Scholarship	1,250	-	-	-	1,250	(600)	650
Annual	-	4,405	494	3,846	7,757	50	7,807
Marvie Baize Art Scholarship	1,000	-	-	-	1,000	(1,000)	-
Flower Fund	153	665	343	-	475	-	475
Liabrary	53	2,336	2,313	61	137	-	137
Lost Books	73	225	-	-	298	-	298
FEA	742	156	247	266	917	-	917
Choir Fund	245	5,819	4,485	281	1,860	-	1,860
Prom	3,248	8,557	7,570	(1,645)	2,590	-	2,590
Textbook Rental	-	11,422	11,322	(100)	-	-	-
Mock Trial	345	306	602	-	49	-	49
Western State Trip	66	864	732	-	198	-	198
Poster Maker	515	623	1,123	-	15	-	15
Girls in Science	1,752	1,358	2,149	-	960	-	960
Project Graduation	1,371	5,250	5,219	-	1,402	-	1,402
Guidance	1,501	653	183	-	1,971	-	1,971
AP Exam	363	6,389	6,238	-	514	-	514
Ceramics-Fundraiser	-	-	-	-	-	-	-
JROTC-Fundraiser	783	-	-	(783)	-	-	-
Annual-Fundraiser	3,846	-	-	(3,846)	-	-	-
OCHS Staff-Fundraiser	27	-	-	(27)	-	-	-
OCHS Staff-Fundraiser	265	-	-	(265)	-	-	-
Art Class-Fundraiser	36	-	-	(36)	-	-	-
FCCLA-Fundraiser	3	-	-	(3)	-	-	-

**OHIO COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND NET POSITION
OHIO COUNTY HIGH SCHOOL
ACTIVITY FUND
Year Ended June 30, 2013**

	Cash Balance 6/30/12	Receipts	Dis- bursements	Transfers	Cash Balance 6/30/13	Accounts Receivable (Payable)	Net Position 6/30/13
Beta Club-Fundraiser	\$ 852	\$ -	\$ 523	\$ (329)	\$ -	\$ -	\$ -
Freshman Academy	842	-	-	(842)	-	-	-
FFA-Fundraiser Beef Fruit	1,341	-	-	(1,341)	-	-	-
FFA-Fundraiser Beef	5	-	-	(5)	-	-	-
FFA-Fundraiser Barbecue	1,180	-	-	(1,180)	-	-	-
Horticulture-Fundraiser	3,598	-	866	(2,732)	-	-	-
Pep Club-Fundraiser	40	-	-	(40)	-	-	-
Ceramics-Fundraiser	18	-	-	(18)	-	-	-
NHS-Fundraiser-Christmas	744	127	442	(429)	-	-	-
Eagle Excellence-FU	60	-	-	(60)	-	-	-
Shooting for Senior	84	-	-	(84)	-	-	-
FFA-Farm City Supper	-	-	-	-	-	-	-
FFA-Donation Agriculture	456	-	419	-	37	-	37
FFA-Donation Action	421	-	421	-	-	-	-
Choir-Cookie Dough	281	-	-	(281)	-	-	-
Eagle Excellence-CA	-	-	-	-	-	-	-
Library-Book Fair	61	-	-	(61)	-	-	-
Beta Club-Key Chains	37	-	-	(37)	-	-	-
Art Club-Candy Bars	71	-	-	(71)	-	-	-
FCCLA-March of Dimes	-	-	-	-	-	-	-
FCCLA-Candy March of Dimes	-	-	-	-	-	-	-
FEA-Cookie Sales	266	-	-	(266)	-	-	-
NHS-Orange Leaf	182	-	-	(182)	-	60	60
Band Used Instruments	-	2,624	1,308	-	1,316	(747)	569
Totals:	\$ 58,161	\$ 258,373	\$ 243,677	\$ -	\$ 72,857	\$ (10,167)	\$ 62,690

Cash Balances at June 30, 2012 and 2013 consist of:

	2012	2013
Cash in bank -Checking	\$ 58,161	\$ 72,857
Cash in bank -Savings	-	-
	<u>\$ 58,161</u>	<u>\$ 72,857</u>

OHIO COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Federal Expenditures (\$)</i>
Child Nutrition Cluster-Cluster			
United States Department of Agriculture Pass-Through Programs			
Passed-through Kentucky Department of Education			
Kentucky Department of Education School Breakfast Program	10.553	7760005 00	\$425,271
<i>Total School Breakfast Program</i>			\$425,271
Kentucky Department of Education Summer Food Service Program for Children	10.559	77440023 00	\$9,348
<i>Total Summer Food Service Program for Children</i>			\$9,348
<i>Total Passed-through Kentucky Department of Education</i>			\$434,619
Passed-through Kentucky Department of Revenue			
Kentucky Department of Revenue National School Lunch Program	10.555	775002 00	\$1,073,800
<i>Total National School Lunch Program</i>			\$1,073,800
<i>Total Passed-through Kentucky Department of Revenue</i>			\$1,073,800
<i>Total United States Department of Agriculture Pass-Through Programs</i>			\$1,508,419
<i>Total United States Department of Agriculture</i>			\$1,508,419
Total Child Nutrition Cluster-Cluster			
Special Education Cluster (IDEA)-Cluster			
Department of Education Pass-Through Programs			
Passed-through Kentucky Department of Revenue			
Kentucky Department of Revenue Special Education-Grants to States	84.027	3810002 11	\$793,375
<i>Total Special Education-Grants to States</i>			\$793,375
Kentucky Department of Revenue Special Education-Preschool Grants	84.173	3810002 13	\$56,881
<i>Total Special Education-Preschool Grants</i>			\$56,881
<i>Total Passed-through Kentucky Department of Revenue</i>			\$850,256
<i>Total Department of Education</i>			\$850,256
Total Special Education Cluster (IDEA)-Cluster			
Other Programs			
Department of Education Pass-Through Programs			
Passed-through Kentucky Department of Education			
Kentucky Department of Education Educational Technology State Grants	84.318	3210002 11	\$14,230
<i>Total Educational Technology State Grants</i>			\$14,230
<i>Total Passed-through Kentucky Department of Education</i>			\$14,230
<i>Total Department of Education</i>			\$14,230
<i>Department of Education Pass-Through Programs</i>			
<i>Passed-through Kentucky Department of Education</i>			
Kentucky Department of Education Title I Grants to Local Educational Agencies	84.010	3100002 11	\$1,151,289

OHIO COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Federal Expenditures (\$)</i>
<i>Total Title I Grants to Local Educational Agencies</i>			\$1,151,289
<i>Total Passed-through Kentucky Department of Education</i>			\$1,151,289
<i>Total Department of Education</i>			\$1,151,289
Department of Education Pass-Through Programs Passed-through Kentucky Department of Education			
Kentucky Department of Education Career and Technical Education -- Basic Grants to States	84.048	4620732 12	\$23,766
<i>Total Career and Technical Education -- Basic Grants to States</i>			\$23,766
Kentucky Department of Education Education Jobs Fund	84.410	4411	\$7,102
<i>Total Education Jobs Fund</i>			\$7,102
Kentucky Department of Education English Language Acquisition Grants	84.365	3300002 11	\$42,263
<i>Total English Language Acquisition Grants</i>			\$42,263
Kentucky Department of Education Improving Teacher Quality State Grants	84.367	3230002 12	\$238,778
<i>Total Improving Teacher Quality State Grants</i>			\$238,778
Kentucky Department of Education Migrant Education-State Grant Program	84.011	310002 12	\$129,448
<i>Total Migrant Education-State Grant Program</i>			\$129,448
Kentucky Department of Education Race to the Top	84.413	4521	\$34,611
<i>Total Race to the Top</i>			\$34,611
Kentucky Department of Education Rural Education	84.358	3140002 13	\$94,961
<i>Total Rural Education</i>			\$94,961
Kentucky Department of Education Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	4100102 13T	\$27,543
<i>Total Title I State Agency Program for Neglected and Delinquent Children and Youth</i>			\$27,543
<i>Total Passed-through Kentucky Department of Education</i>			\$598,175
<i>Total Department of Education</i>			\$598,175
United States Department of Agriculture Pass- Through Programs			
Passed-through Kentucky Department of Agriculture			
Kentucky Department of Agriculture Commodity Supplemental Food Program	10.565	057502 02	\$113,464
<i>Total Commodity Supplemental Food Program</i>			\$113,464
<i>Total Passed-through Kentucky Department of Agriculture</i>			\$113,464
<i>Total United States Department of Agriculture</i>			\$113,464
Total Other Programs			\$1,876,355
Total Expenditures of Federal Awards			\$4,235,030

OHIO COUNTY SCHOOL DISTRICT
Notes to the Schedule of Expenditures of Federal Awards
Year ended June 30, 2013

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of Ohio County School District under programs of the federal government for the year ended June 30, 2013. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

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.

NOTE C – FOOD DONATION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2013, the District had food commodities totaling \$ 113,464 in inventory.

NOTE D – OTHER FEDERAL AWARDS

The District did not receive any noncash insurance or have any loan or loan guarantees outstanding at the end of the year.

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

Kentucky State Committee for School District Audits
Members of the Board of Education
Ohio County School District

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Ohio County School District (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 14, 2013.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies: 13-1 and 13-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The 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*.

The District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Alexander & Company CPAs PSC

Owensboro, Kentucky
November 14, 2013

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

Kentucky State Committee for School District Audits
Members of the Board of Education
Ohio County School District

Report on Compliance for Each Major Federal Program

We have audited the 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 the District's major federal programs for the year ended June 30, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular No. A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Alexander & Company CPAs PSC

Owensboro, Kentucky
November 14, 2013

OHIO COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
June 30, 2013

SUMMARY OF AUDITORS' RESULTS

1. The opinion expressed in the independent accountants' report was:
 Unqualified Qualified Adverse Disclaimed

2. The independent accountant's report on internal control over financial reporting described:

Significant deficiencies noted considered material weakness(es)? Yes None noted

Significant deficiencies noted that are not considered to be material weakness(es)? Yes None noted

Noncompliance considered material to the financial statements was disclosed by the audit? Yes None noted

3. The independent accountants' report on internal control over compliance with requirements applicable to major federal awards programs described:

Significant deficiencies noted considered material weakness(es)? Yes None noted

Significant deficiencies noted that are not considered to be material weakness(es)? Yes None noted

4. The opinion expressed in the independent accountants' report on compliance with requirements applicable to major federal awards was:
 Unqualified Qualified Adverse Disclaimed

5. The audit disclosed findings required to be reported by OMB Circular A-133? Yes None noted

6. The District's major programs were:

Cluster/Program	CFDA Number
Special Education Cluster (IDEA):	
Special Education – Grants to States	84.027
Special Education – Preschool Grants	84.173
Child Nutrition Cluster:	
School Breakfast Program	10.553
National School Lunch Program	10.555
Summer Food Service Program for Children	10.559

7. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$300,000.

8. The District qualified as a low-risk auditee as that term is defined in OMB Circular A-133? Yes None noted

OHIO COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs (continued)
June 30, 2013

FINDINGS - FINANCIAL STATEMENT AUDIT

13-1 Significant Deficiency:

Controls Over Financial Reporting

Condition: Inadequate design of internal controls over footnote disclosure.

Criteria: The District should have adequate controls in place over footnote disclosure to ensure that the financial statements are not materially misstated.

Cause: Lack of expertise with footnote disclosure.

Effect: There is the likelihood of a material misstatement in the presentation and disclosure of related footnotes, occurring and not being detected by the finance officer.

Recommendation: We recommend that the finance officer obtain a current disclosure checklist from the AICPA and review and answer the checklist to ensure propriety and completeness of the footnotes.

Response: The District will ensure the Finance Officer continues to provide the necessary financial information to ensure the financial statements and footnote disclosures are a fair presentation of the financial operations of the District. The District Finance Officer will continue to review the financial statements and footnote disclosures for accuracy.

13-2 Significant Deficiency

BG-1 Project Application

Condition: During the course of our engagement, we identified two instances at Horse Branch Elementary School that required the initiation of the BG-1 Application Process.

Criteria: Per regulations, both instances qualified as 'minor projects', and required the BG-1 Application Process.

Cause: The District deemed the projects emergencies and moved forward quickly, failing to file the BG-1 forms.

Effect: The projects have not yet been approved by the Kentucky Department of Education.

Recommendation: We recommend that the District immediately file the necessary paper work.

Response:

It is the District's belief that replacing window air conditioners as they go bad and fixing electrical issues does not require a BG-1 form. The District will research the regulations regarding the BG-1 Application Process and based upon the results of that research, the District will prepare any required paperwork.

OHIO COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs (continued)
June 30, 2013

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAMS AUDIT

1. The audit did not disclose any audit finding that the auditor is required to report under Section 510(a) of Circular A-133.

OHIO COUNTY SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
June 30, 2013

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAMS AUDIT

1. The audit did not disclose any audit finding that the auditor is required to report under Section 510(a) of Circular A-133.

November 14, 2013

Ohio County Board of Education
Hartford, Kentucky

In planning and performing our audit of the financial statements of the Ohio County School District for the year ended June 30, 2013, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the 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. We previously reported on the District's internal control in our report dated November 14, 2013. This letter does not affect our report dated November 14, 2013 on the financial statements of the Ohio 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.

Respectfully,



Alexander & Company CPAs PSC
Owensboro, Kentucky

**OHIO COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
For the Year Ended June 30, 2013**

CURRENT YEAR COMMENTS

Sign Invoices as Evidence of Approval

Condition: During the course of our engagement, we noted several invoices were not signed off as approved.

Criteria: The District should have controls in place to ensure no payments are made before an approved invoice is received.

Cause: Policy has been that if a complete purchase order was on file the invoice was considered approved.

Effect: Failure to get approvals could lead to improper payments being made.

Recommendation: We recommend that the District creates and enforces a policy where all invoices are approved prior to payment.

Response: The District will create and enforce this policy.

Improve Credit Card Documentation

Condition: We noted minimal descriptions on credit card receipts and some did not contain authorized signatures.

Criteria: The District should have adequate controls in place over expenses incurred on the credit card and over the related documentation.

Cause: The District created a policy to record descriptions on all receipts during the year. However, some instances were noted where the policy was not adhered to.

Effect: There is a possibility that an unsubstantiated charge would be paid or a charge could be recorded incorrectly.

Recommendation: We recommend that the District enforce the policy where all relevant information is recorded on credit card receipts. This would include general ledger account numbers, signed authorization, purpose of expense. Additional information would be required for travel expenses, such as who does the expense pertain to and where the expense occurred.

Response: The District Finance Officer will enforce the policy to ensure all relevant information is recorded on each credit card receipt. This will include the general ledger account numbers, signed authorization and the purpose of expense. The additional information required for travel expense, such as who does the expense pertain to and where the expense occurred will also be enforced and provided on each credit card receipt.

**OHIO COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
For the Year Ended June 30, 2013**

CURRENT YEAR COMMENTS (Continued)

Prevent Paying Sales Tax

Condition: It was noted during the audit that the District paid sales tax on various invoices that were tested. This was noted on invoices attached to two credit card statements that were selected for testing.

Criteria: The District should have adequate controls in place to ensure sales tax is not paid.

Cause: Credit card statements were not reviewed for sales tax prior to payment.

Effect: The District incurred an expense that it was not required to pay.

Recommendation: We recommend that the District enforce a policy where all invoices are reviewed for sales tax.

Response: The District will enforce this policy.

Reconcile Accrued Liabilities and Improve Controls Over Payroll Disbursements

Condition: It was noted during our review of procedures that the District did not perform reconciliations of its accrued liabilities in relation to payroll items.

Criteria: The District should reconcile accrued liabilities monthly.

Cause: Certain payroll information is not reviewed by the finance officer.

Effect: Accrued liabilities could potentially be misstated.

Recommendation: We recommend that the finance officer review and sign off on payroll transactions. The finance officer should also perform accrued liability reconciliations monthly.

Response: The District will incorporate these changes.

Maintain Control Over Cash

Condition: During testing, it was discovered the District had written a large check to an employee and instructed them to cash it for an upcoming student athletic trip. The employee was to hand out the cash to students daily for meals. During the trip, the employee was left with a large amount of cash and no way to secure it. In addition cash was distributed to students with minimal supervision as to how the money was spent.

Criteria: The District should create policies to protect their financial assets and how they are spent.

Cause: No policy for trip expenses.

Effect: Theft could have occurred or money could have been misspent.

Recommendation: We recommend that in the future the employee carry a District credit card for trip expenses. We also recommend that receipts be kept for meals bought with District funds.

Response: The District will incorporate these changes.

**OHIO COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
For the Year Ended June 30, 2013**

CURRENT YEAR COMMENTS (Continued)

Train Principals and Bookkeepers

Condition: It was noted during the audit interviews that several Board and Redbook policies were unknown to various school staff.

Criteria: The District should ensure that Board and Redbook policies are being followed.

Cause: While it was noted that some employees were new, certain staff lacked proper training.

Effect: Policies could potentially not be adhered to without proper knowledge and training.

Recommendation: We recommend that periodically the Board and Redbook policies be reviewed with each principal and bookkeeper.

Response: The District will incorporate these changes.

**OHIO COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
For the Year Ended June 30, 2013**

CURRENT YEAR COMMENTS (Continued)

Southern Elementary School

Complete Accurate Reconciliation Reports

Condition: It was noted during the audit that a check number on the purchase order and invoice did not match the one on the reconciliation report.

Criteria: The bookkeeper should complete an accurate reconciliation report.

Cause: Unknown

Effect: Reconciliation could potentially be inaccurate if information is not correct.

Recommendation: We recommend that the bookkeeper and another staff member review the reconciliation monthly for errors.

Response: The school will incorporate these changes.

**OHIO COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
For the Year Ended June 30, 2013**

CURRENT YEAR COMMENTS (Continued)

Western Elementary School

Obtain Approval Signatures

Condition: It was noted during audit testing that one purchase order lacked an approval signature.

Criteria: All purchase orders should be complete with approval signature.

Cause: Unknown

Effect: Without approval an improper purchase could occur.

Recommendation: We recommend that the school enforce a policy that before completing a transaction all purchase orders must be complete with approval signature.

Response: The District will incorporate these changes.

Use Correct Dating on Purchase Orders

Condition: It was noted during the audit that a purchase order was dated after the related invoice and another had no date at all.

Criteria: Purchase orders must be completed before transactions.

Cause: Unknown

Effect: If purchase orders are not filled out completely improper transactions could occur.

Recommendation: We recommend that the school enforce the policy of completing a purchase order prior to the transaction.

Response: The District will incorporate these changes.

**OHIO COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
For the Year Ended June 30, 2013**

CURRENT YEAR COMMENTS (Continued)

Wayland Elementary School

Use Proper Dating on Documentation

Condition: It was noted during the audit that there were instances of invoice and check dates preceding purchase order dates.

Criteria: The school should have a completed purchase order prior to any payment.

Cause: Unknown

Effect: If purchase orders are not filled out completely prior to purchase, improper transactions could occur.

Recommendation: We recommend that the school enforce the policy of completing a purchase order prior to the transaction.

Response: The District will incorporate these changes.

Use Standard Invoices

Condition: It was noted during audit testing that an F-SA-8 Standard Invoice was not used in one instance.

Criteria: The school should have an invoice for every purchase.

Cause: Unknown

Effect: Without appropriate documentation payments could be improper.

Recommendation: We recommend that no payment be made without an approved invoice.

Response: The District will incorporate these changes.

**OHIO COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
For the Year Ended June 30, 2013**

CURRENT YEAR COMMENTS (Continued)

Fordsville Elementary School

Complete Purchase Orders in a Timely Manner

Condition: It was noted during the audit that a purchase order was dated after the related invoice.

Criteria: Purchase orders must be completed before transactions.

Cause: Unknown

Effect: If purchase orders are not filled out completely improper transactions could occur.

Recommendation: We recommend that the school enforce the policy of completing a purchase order prior to the transaction.

Response: The District will incorporate these changes.

Obtain Approval Signatures

Condition: It was noted during audit testing that one purchase order lacked an approval signature.

Criteria: All purchase orders should be complete with approval signature.

Cause: Unknown

Effect: Without approval an improper purchase could occur.

Recommendation: We recommend that the school enforce a policy that before completing a transaction all purchase orders must be complete with approval signature.

Response: The District will incorporate these changes.

**OHIO COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
For the Year Ended June 30, 2013**

CURRENT YEAR COMMENTS (Continued)

Beaver Dam Elementary School

Complete Purchase Orders in a Timely Manner

Condition: It was noted during the audit that a purchase order was dated after the related invoice.

Criteria: Purchase orders must be completed before transactions.

Cause: Unknown

Effect: If purchase orders are not filled out completely improper transactions could occur.

Recommendation: We recommend that the school enforce the policy of completing a purchase order prior to the transaction.

Response: The District will incorporate these changes.

Use Proper Form

Condition: It was noted during the audit that an F-SA-8 Standard Invoice Form was used in situations when an F-SA-7 Purchase Order Form should have been used.

Criteria: Correct form should be completed.

Cause: Unknown

Effect: Misuse of forms could lead to improper transactions.

Recommendation: We recommend that the correct form is used.

Response: The District will incorporate these changes.

**OHIO COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
For the Year Ended June 30, 2013**

CURRENT YEAR COMMENTS (Continued)

Ohio County Middle School

Complete Purchase Orders in a Timely Manner

Condition: It was noted during the audit that a purchase order was dated after the related invoice.

Criteria: Purchase orders must be completed before transactions.

Cause: Unknown

Effect: If purchase orders are not filled out completely improper transactions could occur.

Recommendation: We recommend that the school enforce the policy of completing a purchase order prior to the transaction.

Response: The District will incorporate these changes.

Use Transfer Form

Condition: During our audit we noted one transfer form was not used when necessary.

Criteria: Transfers require the use of Form F-FA-10.

Cause: Unknown

Effect: If forms are not completed correctly transactions could be recorded inaccurately.

Recommendation: We recommend that the form be used anytime a transfer occurs.

Response: The District will incorporate these changes.

**OHIO COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
For the Year Ended June 30, 2013**

CURRENT YEAR COMMENTS (Continued)

Ohio County High School

Complete Purchase Orders in a Timely Manner

Condition: It was noted during the audit that a purchase order was dated after the related invoice.

Criteria: Purchase orders must be completed before transactions.

Cause: Unknown

Effect: If purchase orders are not filled out completely improper transactions could occur.

Recommendation: We recommend that the school enforce the policy of completing a purchase order prior to the transaction.

Response: The District will incorporate these changes.

**OHIO COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS (continued)
FOR THE YEAR ENDED June 30, 2013**

UNCORRECTED PRIOR YEAR COMMENTS

Improve Credit Card Documentation

Condition: We noted minimal descriptions on credit card receipts and some did not contain authorized signatures.

Criteria: The District should have adequate controls in place over expenses incurred on the credit card and over the related documentation.

Cause: District does have a policy to record descriptions on certain receipts, not all.

Effect: There is a possibility that an unsubstantiated charge would be paid or a charge could be recorded incorrectly.

Recommendation: We recommend that the District enforce a policy where all relevant information is recorded on credit card receipts. This would include general ledger account numbers, signed authorization, purpose of expense. Additional information would be required for travel expenses, such as who does the expense pertain to and where the expense occurred.

Response: The District Finance Officer will enforce the policy to ensure all relevant information is recorded on each credit card receipt. This will include the general ledger account numbers, signed authorization and the purpose of expense. The additional information required for travel expense, such as who does the expense pertain to and where the expense occurred will also be enforced and provided on each credit card receipt.

**OHIO COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS (continued)
FOR THE YEAR ENDED June 30, 2013**

RESOLUTION OF RECOMMENDATIONS MADE DURING THE PRECEDING AUDIT

Record Retainage

Condition: During the course of our engagement, we noted retainage was not being recorded on all projects.

Criteria: The District should have controls in place to record all assets and liabilities.

Cause: District has not recorded retainage in the past.

Effect: The financial statements could be materially misstated.

Recommendation: We recommend that the District review all contracts at fiscal year end in order to record all retainage amounts.

Resolution: The District recorded all but one instance of retainage during the year.

Improve Accounts Receivable Controls

Condition: It was noted during the audit that several receivables were not recorded.

Criteria: The District should have adequate controls in place over receivables to ensure that the financial statements are not materially misstated.

Cause: Receipts were not reviewed during fiscal close to determine they were recorded in the correct period.

Effect: Failure to record accounts receivable could lead to the financial statements being materially misstated.

Recommendation: We recommend that the District create a receipts journal to help organize incoming payments. We also recommend that the accounts receivable account and all revenue accounts be reviewed during fiscal close in order to ensure all receivables are recorded.

Resolution: The District has reviewed and recorded accounts receivable as necessary.