

ROBERTSON COUNTY BOARD OF EDUCATION

FINANCIAL STATEMENTS
SUPPLEMENTARY INFORMATION
And
INDEPENDENT AUDITOR'S REPORTS

Year Ended June 30, 2013

Denise M. Keene
Certified Public Accountant
P.O. Box 1444
Georgetown, Kentucky 40324
502-857-2579

ROBERTSON COUNTY BOARD OF EDUCATION
 TABLE OF CONTENTS

	Pages
Unmodified Opinions on Basic Financial Statements Accompanied By Required Supplementary Information and Other Information - State or Local Governmental Entity Independent Auditor’s Report	4-6
Management’s Discussion and Analysis	7-12
Basic Financial Statements:	
District-wide Financial Statements:	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet – Governmental Funds	15
Reconciliation of the Balance Sheet – Governmental Funds To the Statement of Net Position	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the District-Wide Statement of Activities	18
Statement of Net Position – Proprietary Funds	19
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	20
Statement of Cash Flows – Proprietary Funds	21
Statement of Net Position – School Activity Funds	22

ROBERTSON COUNTY BOARD OF EDUCATION
TABLE OF CONTENTS

	Pages
Notes to the Financial Statements	23-40
Supplementary Information:	
Budget Comparison:	
Budgetary Comparison Schedule for the General Fund	42
Budgetary Comparison Schedule for Special Revenue	43
Combining Statements – Nonmajor Funds:	
Combining Balance Sheet – Nonmajor Governmental Funds	44
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	45
Statement of Receipts, Disbursements, and Due to Student Groups Robertson County School	46-47
Schedule of Expenditures of Federal Awards	48-49
Notes to the Schedule of Expenditures of Federal Awards	50
Report on Internal Control Over Financial Reporting and on Compliance And Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <u>Government Auditing Standards</u> (for a Governmental Entity) (No Material Weaknesses Identified, No Significant Deficiencies Identified, No Reportable Instances of Noncompliance, or Other Matters Identified)	51-52
Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures Of Federal Awards Required by OMB Circular A-133 (Unmodified Opinion On Compliance for each Major Program; No Material Weaknesses or Significant Deficiencies in Internal Control Over Compliance Identified)	53-55
Schedule of Findings and Questioned Costs	56
Schedule of Prior Year Audit Findings	57
Management Letter	58-64

DENISE M. KEENE
CERTIFIED PUBLIC ACCOUNTANT
P.O. BOX 1444
GEORGETOWN, KENTUCKY 40324
502-857-2579

**Unmodified Opinions on Basic Financial Statements Accompanied by
Required Supplementary Information and Other
Information – State or Local Governmental Entity**

INDEPENDENT AUDITOR'S REPORT

State Committee For School District Audits
Members of the Board of Education
Robertson County Board of Education
Mt. Olivet, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Robertson County Board of Education as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Board'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; the provisions of Office of Management and Budget Circular A-133, Audits of States and Local Governments, and Non-Profit Organizations, and the audit requirements prescribed by the Kentucky State Committee for School District Audits. 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 Board as of June 30, 2013 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 12 and budgetary comparison information on pages 42 and 43 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 Board's basic financial statements. The combining statements for nonmajor governmental funds and fiduciary funds, the statement of receipts, disbursements, and due to student groups-Robertson County School, and the schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statements for nonmajor funds and fiduciary funds, the statement of receipts, disbursements, and due to student groups-Robertson County School, and the schedule of expenditures of federal awards is the responsibility of management and was derived from and relates 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 statements for nonmajor funds and fiduciary funds, the statement of receipts, disbursements, and due to student groups-Robertson County School, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2013 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

Denise M. Keene

Denise M. Keene, CPA
Georgetown, Kentucky
November 12, 2013

**ROBERTSON COUNTY SCHOOLS
MT. OLIVET, KENTUCKY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2013**

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

FINANCIAL HIGHLIGHTS

The beginning balance for cash and cash equivalents July 1, 2013 was \$9,326,083. However, the General Fund closed at \$(360) deficit, while the construction fund was \$9,402,801 and non-major funds were \$283,287.

The General Fund had \$2,747,113 in revenue, which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes. Excluding inter-fund transfer, there were \$3,150,222 in General Fund expenditures. The closing balance as of June 30, 2013 is general fund \$60,650; construction fund \$162,078; debt service \$936,073; non-major funds \$1,064; for a total of \$1,159,865.

The district levied tax rates of 56.60 cents (real estate and tangible property) and 55.9 cents (motor vehicles) per \$100 of assessed value, and continued the 3% utility tax.

The District bus fleet consist of four buses and the purchase of several major repair parts totaled \$21,230.

The District issued a bond of \$205,000 in May 2013 to fund a revised BG-1 construction reallocation for technology expenses and providing a subsequent allowable capital funds request in a like amount.

In August 2010, Kentucky school districts were awarded EDU JOBS funding, which expired in September 2013. The District has received the new Race To The Top federal grant totaling \$5,296

No raises were approved for faculty and staff, however experience step increases were granted. Lunch prices were not raised.

There was a Kentucky Department of Education (KDE) site visit in February 2013 to review budget issues, followed by another visit in May to advise the Board of serious budget issues. This was followed with the assignment of a financial consultant for the district in June 2013 and staff reductions for the 2013-2014 year.

Construction of the new Robertson County School was completed. Students and staff moved into the building January 21, 2013. A total project cost of \$18,380,000 was financed primarily by a qualified school construction bond.

Tracy Teegarden was hired as the new finance officer in October 2012.

During the fiscal year the District was notified the Kentucky School Board Insurance Trust (KSBIT) would be dissolving as the self insurance provider for school districts in Kentucky. KSBIT has informed Districts there is an unfunded liability that will be assessed. However, the exact amount of the assessment has not been determined.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

The district-wide financial statements can be found on pages 13 and 14 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for 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 funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The proprietary fund is food service operations. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 15-22 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 23-40 of this report.

DISTRICT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities exceeded assets by \$288,746 as of June 30, 2013.

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

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

2013 District-wide net position compared to 2012 are as follows:

	Net Position (in thousands)					
	Governmental		Business-type		Total	
	2012	2013	2012	2013	2012	2013
Assets	\$20,190	\$18,772	\$89	\$1,553	\$20,279	\$20,325
Deferred Outflows of Resources	\$271	\$255	\$0	\$0	\$271	\$255
Liabilities	\$19,139	\$19,297	\$0	\$0	\$19,139	\$19,297
Deferred Inflows of Resources	\$165	\$20	\$0	\$0	\$165	\$20
Investment in capital assets (net of debt)	(8,301)	1,254	22	1,480	(8,279)	2,734
Restricted	9,326	1,106	67	73	9,393	1,179
Unrestricted Fund Balance	<u>132</u>	<u>(2,649)</u>	<u>0</u>	<u>0</u>	<u>132</u>	<u>(2,649)</u>
Total Net Position	\$1,157	(\$289)	\$89	\$1,553	\$1,246	\$1,264

Budgetary Implications

In Kentucky the public school fiscal year is July 1 - June 30; other programs, i.e. some federal operate on a different fiscal year, but are reflected in the district overall budget. By law the budget must have a minimum 2 percent contingency. The district adopted a budget with \$50,000 in contingency, which is 2 percent.

Comments on Budget Comparisons

The original budget was amended to reflect changes in the school allocations and anticipated revenues. The changes made were based on more accurate data being available after the first couple of months of the fiscal year.

The District recorded "On-Behalf" payments as revenues and expenditures during the fiscal year. On-Behalf payments were not included in the budget. Therefore budget comparisons have some large negative variances. Caution should be used when reading the budget comparison reports.

Changes in Net Position (in thousands)						
	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	2012	2013	2012	2013	2012	2013
Revenues						
Local Revenue Sources	605	744	67	62	672	806
State Revenue Sources	2,578	3,396	32	63	2,610	3,459
Federal Revenue Sources	705	1,273	172	185	877	1,458
Investments	<u>1</u>	<u>20</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>20</u>
Total Revenues	3,889	5,433	271	310	4,160	5,743
Expenses						
Instruction	2,280	2,214			2,280	2,214
Student Support Services	157	165			157	165
Instructional Support	109	103			109	103
District Administration	407	446			407	446
School Administration	189	169			189	169
Business Support	100	112			100	112
Plant Operations	209	217			209	217
Student Transportation	204	234			204	234
Facilities Acquisition & Construction	8,814	7,661			8,814	7,661
Community Support	133	112			133	112
Food Service	0	0	259	329	259	329
Debt Service	<u>445</u>	<u>936</u>			<u>445</u>	<u>936</u>
Total Expenses	13,047	12,369	259	329	13,306	12,698
Bond Proceeds	18,380	205			18,380	205
Sale of assets		58		(10)	0	48
Transfers	5	4	(5)	(4)	0	0
Capital Contributions		<u>(1,497)</u>	<u>0</u>	<u>1,497</u>	<u>0</u>	<u>0</u>
Change in Net Position	9,227	(8,166)	7	1,464	9,234	(6,702)
Beginning Net Position	99	9326	82	89	181	9,415
Ending Net Position	\$9,326	\$1,160	\$89	\$1,553	\$9,415	\$2,713

The government's overall financial position and results of operations declined as a result of the year's operations as reflected in the decrease in net position for the year.

INFRASTRUCTURE

The District has not reported any infrastructure in the current financial statements.

Analysis of balances and transactions of individual funds (in thousands)

Fund	Beginning	Revenues	Expenses	Transfer	Ending
General Fund	\$0	\$2,805	\$3,150	\$406	\$61
Special Revenue	\$0	\$720	\$624	(\$96)	\$0
Capital Outlay	\$48	\$31	\$0	(\$78)	\$1
Building	\$235	\$224	\$0	(\$459)	\$0
Construction	\$9,043	\$0	\$9,157	\$276	\$162
Debt Service	\$0	\$1,711	\$935	\$160	\$936

Capital Assets and Long-Term Debt Activity (in thousands)

	Beginning	Additions	Deductions	Ending
Governmental				
Capital Assets	\$12,461	\$16,703	\$9,882	\$19,282
Accumulated Depreciation	\$1,754	\$274	\$317	\$1,711
Business-Type				
Capital Assets	\$86	\$1,497	\$77	\$1,506
Accumulated Depreciation	\$64	\$29	\$67	\$26
Bonds Payable	\$18,807	\$205	\$92	\$18,920
Capital Lease Payable	\$202		\$41	\$161
Sick Leave Payable	\$124		\$38	\$86

CURRENT ISSUES

There was a reduction in force 2013-2014 in order to balance the budget.

The Deming School was destroyed by fire in July 2013.

No staff raises were given, only step increases.

The Board approved property tax rates at the 4% above compensating rate.

The tax rate of 58.4 cents/100 dollars assessed value for real estate and personal property.

The District anticipates a reduction in federal funds again this year.

Due to the dissolution of KSBIT, Districts have been informed there is an unfunded liability that will be assessed. However, the exact amount of the assessment has not been determined.

The Board waived their rights to a hearing before the KY Board of Education and accepted the Commissioner's recommendation to declare the District "state assisted" at their September 25, 2013 board meeting.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Board's finances and to reflect the Board's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to the Superintendent, Charles Brown, or to the Treasurer, Tracy Teegarden at 606-724-5421, or by mail at 1762 Sardis Road, Mt. Olivet, KY 41064.

ROBERTSON COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
DISTRICT WIDE
As of June 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and equivalents - Note C	\$1,065,289	\$50,585	\$1,115,874
Accounts receivable	128,092	15,159	143,251
Inventory		7,835	7,835
Prepaid expenses	7,123		7,123
Capital assets			
Land and construction in progress	450,079		450,079
Other capital assets, net of depreciation	<u>17,121,420</u>	<u>1,479,570</u>	<u>18,600,990</u>
Total capital assets	<u>17,571,499</u>	<u>1,479,570</u>	<u>19,051,069</u>
TOTAL ASSETS	18,772,003	1,553,149	20,325,152
DEFERRED OUTFLOWS OF RESOURCES			
Bond issue costs	255,430		255,430
LIABILITIES			
Accounts payable	27,655	503	28,158
Accrued salaries and benefits payable	(6,547)		(6,547)
Interest payable	9,107		9,107
KSBIT liability	99,658		99,658
Long-term Liabilities			
Due within 1 year	175,820		175,820
Due in more than 1 year	<u>18,990,955</u>		<u>18,990,955</u>
TOTAL LIABILITIES	19,296,648	503	19,297,151
DEFERRED INFLOWS OF RESOURCES			
Deferred revenues	19,531		19,531
NET POSITION			
Net investment in capital assets	1,253,697	1,479,570	2,733,267
Restricted			
Inventories		7,835	7,835
Prepays	7,123		7,123
Food Service		65,241	65,241
SFCC	1,064		1,064
Future Construction BG-1	162,078		162,078
Debt Service	936,073		936,073
Unrestricted - Note U	<u>(2,648,781)</u>		<u>(2,648,781)</u>
TOTAL NET POSITION	<u>(\$288,746)</u>	<u>\$1,552,646</u>	<u>\$1,263,900</u>

See accompanying notes

ROBERTSON COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
DISTRICT WIDE

For the year ended June 30, 2013

FUNCTIONS/PROGRAMS

Governmental Activities

	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Net (Expense) Revenue and Changes in Net Position Business-type Activities	Total
Instruction	\$2,382,691		\$398,352		(\$1,984,339)	\$	(\$1,984,339)
Support services:							
Student	164,724		10,702		(154,022)		(154,022)
Instruction staff	108,871		35,609		(73,262)		(73,262)
District administrative	447,382		29,854		(417,528)		(417,528)
School administrative	168,863		26,019		(142,844)		(142,844)
Business	119,494		4,318		(115,176)		(115,176)
Plant operation and maintenance	351,728		7,052		(351,728)		(351,728)
Student transportation	252,297				(245,245)		(245,245)
Facilities	480,141				(480,141)		(480,141)
Community service activities	112,156		112,156		0		0
Interest on long-term debt	812,883		0	407	(812,476)		(812,476)
Total governmental activities	5,401,230		624,062	407	(4,776,761)		(4,776,761)

Business-type Activities

Food service	329,157	62,271	247,576			(19,310)	(19,310)
Total business-type activities	329,157	62,271	247,576			(19,310)	(19,310)
Total school district	\$5,730,387	\$62,271	\$871,638	\$407	(\$4,776,761)	(\$19,310)	(\$4,796,071)

General Revenues

Property taxes	\$415,320					\$415,320	
Motor Vehicle taxes	71,256					71,256	
Utility taxes	112,976					112,976	
State aid-formula grants	4,141,113					4,141,113	
Investment earnings	14,057					14,057	140
Gain on sale of assets	14,485					14,485	(9,644)
Transfers	(1,492,752)					(1,492,752)	1,492,752
Miscellaneous	54,492					54,492	0
Total general & special	3,330,947					3,330,947	1,483,248
Change in net positions						(1,445,814)	18,124
Net position - beginning						1,157,068	88,708
Net position - ending						(\$288,746)	\$1,552,646

See accompanying notes

ROBERTSON COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2013

	General Fund	Special Revenue	Construction Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$0	\$0	\$173,408	\$936,073	\$1,064	\$1,110,545
Other receivables	71,443	56,649				128,092
Prepaid expenses	7,123					7,123
TOTAL ASSETS	\$78,566	\$56,649	\$173,408	\$936,073	\$1,064	\$1,245,760
LIABILITIES						
Cash overdraft	\$8,351	\$36,905	\$0	\$0	\$0	\$45,256
Accounts payable	16,112	213	11,330			27,655
Accrued salaries and benefits payable	(6,547)					(6,547)
TOTAL LIABILITIES	17,916	37,118	11,330	0	0	66,364
DEFERRED INFLOWS OF RESOURCES						
Deferred Revenues		19,531				19,531
Fund Balances						
Nonspendable						
Prepaids	7,123					7,123
Restricted						
SFCC						
Future Construction BG-1			162,078		1,064	1,064
Debt Service				936,073		936,073
Unassigned	53,527					53,527
Total fund balances	60,650		162,078	936,073	1,064	1,159,865
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE	\$78,566	\$56,649	\$173,408	\$936,073	\$1,064	\$1,245,760

See accompanying notes

ROBERTSON COUNTY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO
 THE STATEMENT OF NET POSITION
 As of June 30, 2013

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

Total Fund Balance - Governmental Funds		\$1,159,865
Certain assets are not reported in this fund financial statement because they are recorded as current expenditures		
	Bond Issue Costs	255,430
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position		
		17,571,499
Certain liabilities are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position		
	Bonds Payable	(18,920,286)
	Capital Lease Payable	(160,340)
	KSBIT Liability	(99,658)
	Accrued Interest on Bonds	(9,107)
	Accumulated Sick Leave	<u>(86,149)</u>
Total Net Position - Governmental Activities		(\$288,746)

See accompanying notes

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

	General Fund	Special Revenue	Construction Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
From local sources						
Property taxes	\$330,118	\$	\$	\$	\$85,202	\$415,320
Motor vehicle taxes	71,256					71,256
Utility taxes	112,976					112,976
Earnings on investments	138	5,805	456	13,251	212	19,862
Other local revenues	54,492	90,143				144,635
Intergovernmental - State	2,160,042	172,231		894,133	169,900	3,396,306
Intergovernmental - Federal	<u>18,091</u>	<u>451,831</u>		<u>803,406</u>		<u>1,273,328</u>
Total revenues	2,747,113	720,010	456	1,710,790	255,314	5,433,683
Expenditures						
Instruction	1,815,923	398,352				2,214,275
Support services						
Student	153,984	10,702				164,686
Instruction staff	67,647	35,609				103,256
District administration	416,476	29,854				446,330
School administration	142,751	26,019				168,770
Business	107,353	4,318				111,671
Plant operation and maintenance	217,348					217,348
Student transportation	226,995	7,052				234,047
Community service activities		112,156				112,156
Facilities			9,157,051		500	9,157,551
Debt service	<u>1,745</u>			<u>934,711</u>		<u>936,456</u>
Total expenditures	3,150,222	624,062	9,157,051	934,711	500	13,866,546
Excess(deficit)of revenues over expenditures	(403,109)	95,948	(9,156,595)	776,079	254,814	(8,432,863)
Other Financing Sources (Uses)						
Sale of equipment	57,713					57,713
Bond/Capital Lease Proceeds				205,000		205,000
Operating transfers in	406,406		275,872	156,681		838,959
Operating transfers out		<u>(95,948)</u>		<u>(202,042)</u>	<u>(537,037)</u>	<u>(835,027)</u>
Total other financing sources (uses)	464,119	(95,948)	275,872	159,639	(537,037)	266,645
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	61,010	0	(8,880,723)	935,718	(282,223)	(8,166,218)
Fund balance, July 1, 2012	<u>(360)</u>	<u>0</u>	<u>9,042,801</u>	<u>355</u>	<u>283,287</u>	<u>9,326,083</u>
Fund balance, June 30, 2013	\$60,650	\$0	\$162,078	\$936,073	\$1,064	\$1,159,865

See accompanying notes

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

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

Total net change in fund balances - governmental funds (\$8,166,218)

Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.

Depreciation Expense	(273,641)	
Capital Outlays	<u>7,180,727</u>	6,907,086
Loss on sale of assets		(43,229)

Bond issue costs are expensed as incurred in the fund balance statement, but are amortized over the life of the bond in the statement of activities:

Amortization Expense	(18,120)
Bond Issuance Cost	2,958

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Bond Principal Payments	91,511
Capital Lease Payments	41,322
Bond Proceeds	(205,000)

Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.

Change in Accrued Interest	5,902
KSBIT liability	(99,658)
Change in Sick Leave	<u>37,632</u>

Total Change in Net Position - Governmental Activities (\$1,445,814)

See accompanying notes

ROBERTSON COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
As of June 30, 2013

	Food Service <u>Fund</u>
ASSETS	
Cash and Equivalents	\$50,585
Accounts Receivable	15,159
Inventory	7,835
Capital Assets, net of depreciation	<u>1,479,570</u>
TOTAL ASSETS	\$1,553,149
LIABILITIES	
Accounts Payable	\$503
TOTAL LIABILITIES	<u>503</u>
NET POSITION	
Net Investment in Capital Assets	1,479,570
Nonspendable-Inventories	7,835
Restricted Net Position	<u>65,241</u>
TOTAL NET POSITION	\$1,552,646

See accompanying notes

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

	Food Service <u>Fund</u>
OPERATING REVENUES	
Lunchroom sales	\$62,271
Total Operating Revenues	62,271
OPERATING EXPENSES	
Salaries and wages	172,560
Contract services	3,627
Materials and supplies	123,795
Depreciation	<u>29,175</u>
Total Operating Expenses	329,157
Operating income (loss)	(266,886)
NON-OPERATING REVENUES (EXPENSES)	
Federal grants	173,448
Commodities received	11,709
State grants	1,965
State on-behalf payments	60,454
Interest income	140
Loss on sale of assets	(9,644)
Indirect cost transfer to general fund	<u>(3,931)</u>
Non-operating revenues (expenses)	234,141
Net income (loss) before Capital Contributions	(32,745)
Capital Contribution	1,496,683
Increase (decrease) in Net Position	1,463,938
Net Position, July 1, 2012	<u>88,708</u>
Net Position, June 30, 2013	\$1,552,646

See accompanying notes

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

	Food Service <u>Fund</u>
CASH FLOW FROM OPERATING ACTIVITIES	
Cash received from customers	\$62,271
Cash paid to employees, including benefits	(112,106)
Cash paid to suppliers	<u>(116,916)</u>
Net cash provided by operating activities	(166,751)
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES	
Cash received from government funding	160,254
Indirect cost transfer to general fund	<u>(3,931)</u>
Net cash provided from capital and related financing activities	156,323
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Interest Income	<u>140</u>
Net cash provided from capital and related financing activities	140
Net increase (decrease) in cash	(10,288)
Cash and equivalents, July 1, 2012	<u>60,873</u>
Cash and equivalents, June 30, 2013	\$50,585
Reconciliation of Operating income (loss) to Net Cash Provided by Operating Activities	
Operating income (loss)	(\$266,886)
Adjustments to reconcile net income to cash provided by operating activities	
Depreciation	29,175
On-behalf payments	60,454
Commodities used	11,709
Increase in inventory	(1,706)
Increase (decrease) in accounts payable	<u>503</u>
Net cash provided by operating activities and increase in cash and equivalents	(\$166,751)
Schedule of Non-Cash Financing Activities	
Donated commodities	\$11,709
On Behalf payments	\$60,454

See accompanying notes

ROBERTSON COUNTY SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 SCHOOL ACTIVITY FUNDS
 As of June 30, 2013

	Agency Fund
ASSETS	
Cash and equivalents	\$203,010
Accounts receivable	<u>0</u>
TOTAL ASSETS	\$203,010
LIABILITIES	
Accounts payable	\$1,246
Due to student groups	<u>201,764</u>
TOTAL LIABILITIES	\$203,010

See accompanying notes

ROBERTSON COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

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

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

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

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

Robertson County School District Finance Corporation (the Corporation) – the Robertson County Board of Education has established the Robertson 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 Robertson County Board of Education also comprise the Corporation’s Board of Directors.

Basis of Presentation

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

The district-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 reconciliations with brief explanations to better identify the relationship between the district-wide statements and the statements for governmental funds.

ROBERTSON COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2013

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

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

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

The District has the following funds:

2018. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for and reports all financial resources not accounted for and reported in another fund. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Fund accounts for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

ROBERTSON COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2013

(2018) Capital Project Funds are used to account for and report financial resource that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the district's facility plan.
2. The Facility Support Program of Kentucky (FSPK) Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan.
3. The Construction Fund includes Capital Projects Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction and/or renovations. This is a major fund for the District.

II. Debt Service Fund

The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds are used to report resources if legally mandated. Financial resources that are being accumulated for principal and interest maturing in future years are reported in debt service funds. This is a major fund for the District.

2018. Proprietary Funds (Enterprise Fund)

1. The School 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). This is a major fund for the District.

2018. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)

1. The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with Uniform Program of Accounting for School Activity Funds.
2. The Private Purpose Trust Funds are used to report trust arrangements under which principal and income benefit individuals, private organizations or other governments. The District does not currently have any Private Purpose Trust Funds.

ROBERTSON COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2013

V. Permanent Funds

Permanent Funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs – that is, for the benefit of the government or its citizenry.

Basis of Accounting

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when used is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

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

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue.

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

ROBERTSON COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2013

Property Taxes

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

The property tax rates assessed for the year ended June 30, 2013, to finance operations were \$.566 per \$100 valuation for real property, \$.566 per \$100 valuation for business personal property and \$.559 per \$100 valuation for motor vehicles.

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

Fund Balance Classification Policies and Procedures

The Board intends that accounting practices follow state and federal laws and regulations and generally accepted accounting policies.

Nonspendable Fund Balance

Amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact will be classified as Nonspendable Fund Balance.

Restricted Fund Balance

Fund Balance will be reported as restricted when constraints placed on the use of resources are either; (a) externally imposed by creditors, grantors, contributors, or laws or regulations or other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

The Board will use restricted amounts before unrestricted amounts when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

Committed Fund Balance

Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Education will be reported as committed fund balance.

Assigned Fund Balance

Amounts that have been assigned for a specific purpose by formal resolution of the Board of Education will be reported as assigned fund balance for a specific purpose.

Unassigned Fund Balance

Unassigned Fund Balance is the residual classification for the general fund.

When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classification could be used, the funds will first be spent from committed, then assigned, and then finally unassigned.

Interfund Balances

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

ROBERTSON COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2013

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District does not possess any infrastructure. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>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	12 years
Furniture and fixtures	20 years
Rolling stock	15 years
Other	10 years

Accumulated Unpaid Sick Leave Benefits

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

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments.

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

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

ROBERTSON COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2013

Budgetary Process

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

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

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

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

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

Cash and Cash Equivalents

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

Inventories

On district-wide financial statements inventories are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

The food service fund uses the specific identification method and the general fund uses the first-in, first-out method.

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2013 are recorded as prepaid items using the consumption method. Prepaid assets are only recorded if material to the financial statements.

ROBERTSON COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2013

Accrued Liabilities and Long-Term Obligations

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

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

Net Position

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools and collections for services such as child care.

Contributions of Capital

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

Subsequent Events

Subsequent events were considered through November 12, 2013, which represents the date of my report.

The Board waived their rights to a hearing before the KY Board of Education and accepted the Commissioner's recommendation to declare the District "State assisted" at their September 25, 2013 board meeting.

ROBERTSON COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2013

Interfund Activity

Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Uses of Estimates

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

Encumbrances

Encumbrances are not liabilities and therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying combined financial statements.

NOTE B – PROPERTY TAX CALENDAR

Property taxes for fiscal year 2013 were levied on the assessed valuation of property located in the School District as of January 1, 2012 lien date. The due date and collection periods for all taxes exclusive of vehicle taxes are as follows:

Description	per KRS 134.020
Due date for payment of taxes	Upon receipt
Face value amount payment date	December 31
Delinquent date, 10% penalty	January 1

Vehicle taxes are collected by the County Clerk and are due and collected in the birth month of the vehicle's licensee.

ROBERTSON COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2013

NOTE C – CASH AND CASH EQUIVALENTS

At year-end, the carrying amount of the District's total cash and cash equivalents was \$1,318,884. Of the total cash balance, \$250,000 was covered by Federal Depository insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

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

	Bank Balance	Book Balance
General Checking Account		
Fund 1 (General Fund)	\$	\$ (8,351)
Fund 2 (Special Revenue Fund)		(36,905)
Fund 310 (Capital Outlay Fund)		1,063
Fund 320 (Building Fund)		1
Fund 360 (Construction Fund)		173,408
Fund 51 (Food Service)		<u>50,585</u>
Total General Checking Account	468,954	179,801
Activity and Trust Funds	204,914	203,010
Debt Service Funds	<u>936,073</u>	<u>936,073</u>
TOTALS	\$ 1,609,941	\$1,318,884

Breakdown per financial statements:

Governmental Funds	\$ 1,065,289
Proprietary Funds	50,585
Agency Funds	<u>203,010</u>
TOTALS	\$ 1,318,884

NOTE D – CAPITAL ASSETS

Depreciation expense was charged to functions of the governmental activities as follows:

Instruction	\$ 206,048
Support Services	
Student	38
Instructional staff	5,615
District administration	1,052
School administration	94
Business	7,823
Plant operations & maintenance	34,721
Student transportation	<u>18,250</u>
Total Depreciation expense, governmental activities	\$ 273,641

ROBERTSON COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2013

**NOTE D – CAPITAL
 ASSETS**

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

Governmental Activities	Beginning	Additions	Deletions	Ending
Land	\$450,079			\$450,079
Land Improvements	98,066	109,700		207,766
Buildings/Bldg Improvements	1,533,260	15,703,083	60,910	17,175,433
Technology Equipment	207,848	167,739	108,553	267,034
Vehicles	378,635	12,180	129,000	261,815
General Equipment	270,620	710,696	61,233	920,083
Construction Work In Process	<u>9,522,671</u>	<u>0</u>	<u>9,522,671</u>	<u>0</u>
Totals at historical cost	12,461,179	16,703,398	9,882,367	19,282,210
Less Accumulated Depreciation				
Land Improvements	71,303	5,929		77,233
Buildings/Bldg Improvements	967,121	183,702	24,919	1,125,904
Technology Equipment	168,356	29,832	107,039	91,149
Vehicles	338,975	18,864	129,000	228,839
General Equipment	<u>207,782</u>	<u>35,314</u>	<u>55,509</u>	<u>187,586</u>
Total accumulated depreciation	1,753,537	273,641	316,467	1,710,711
Governmental Activities Capital				
Assets – Net	\$10,707,642	\$16,429,757	\$(9,565,900)	\$17,571,499
Business-Type Activities				
Food Service				
Buildings/Bldg Improvements	\$10,216	1,181,359	10,216	\$1,181,359
Technology Equipment	1,342		1,342	
Vehicles				
General Equipment	<u>74,497</u>	<u>315,324</u>	<u>65,389</u>	<u>324,432</u>
Totals at historical cost	86,055	1,496,683	76,947	1,505,791
Less Accumulated Depreciation				
Buildings/Bldg Improvements	1,634	12,018	6,845	6,807
Technology Equipment	1,342		1,342	
Vehicles				
General Equipment	<u>61,373</u>	<u>17,157</u>	<u>59,116</u>	<u>19,414</u>
Total accumulated depreciation	64,349	29,175	67,303	26,221
Business-Type Activities Capital				
Assets – Net	\$21,706	\$1,467,508	\$(9,644)	\$1,479,570

ROBERTSON COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2013

NOTE E – BONDED DEBT AND LEASE OBLIGATIONS

The amount shown in the accompanying financial statements as lease obligations represents the District's future obligations to make lease payments relating to the bonds issued aggregating the original amount of each issue, the issue date, and interest rates are summarized below:

Issue Date	Proceeds	Rates
2003R	\$ 695,000	1.75% - 3.92%
2009	473,000	5.00% - 6.00%
2011	18,380,000	4.50%
2013	205,000	1.50% – 3.625%

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

There are a number of limitations and restrictions contained in the various bond indentures. Management has indicated that the District is in compliance with all significant limitations and restrictions as of June 30, 2013.

The District entered into “participation agreements” with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

The District issued \$205,000 in KISTA Bond to fund technology expenses.

The following is a summary of the District's long-term debt transactions for the year ended.

	Beginning Balance	Additions	Payments	Ending Balance
Bonds	\$18,806,797	\$205,000	\$91,511	\$18,920,286
Sick Leave	\$123,781		\$37,632	\$86,149
Capital Leases	\$201,662		\$41,322	\$160,340

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

ROBERTSON COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2013

Year	Robertson County School		Sinking	SFCC	Sinking	U.S.	Total	
	Principal	Interest	Fund	Principal	Interest	Treasury		
2013-14	79,811	34,909	49,115	20,963	4,769	873,352	803,206	1,866,125
2014-15	27,136	32,125	49,114	15,760	4,307	873,353	803,206	1,805,001
2015-16	27,697	31,460	49,114	16,129	3,938	873,352	803,206	1,804,896
2016-17	28,153	30,680	49,114	16,570	3,498	873,353	803,206	1,804,574
2017-18	33,505	29,849	49,114	17,042	3,025	873,353	803,206	1,809,094
2018-19	32,805	28,890	49,114	17,547	2,520	873,353	803,206	1,807,435
2019-20	34,079	27,881	49,114	18,089	1,977	873,353	803,206	1,807,699
2020-21	6,717	27,295	49,114	3,283	1,668	873,353	803,206	1,764,636
2021-22	6,635	27,127	49,114	3,365	1,586	873,352	803,206	1,764,385
2022-23	6,551	26,961	49,115	3,449	1,502	873,352	803,206	1,764,136
2023-24	6,448	26,765	49,114	3,552	1,398	873,353	803,206	1,763,836
2024-25	6,341	26,571	49,114	3,659	1,292	873,353	803,206	1,763,536
2025-26	6,231	26,381	49,114	3,769	1,182	873,352	803,206	1,763,235
2026-27	6,109	26,178	49,114	3,891	1,059	873,353	803,206	1,762,910
2027-28	18,385,982	14,033	49,114	4,018	933	873,353	401,603	19,729,036
2028-29	10,847	1,884	0	4,153	797	0	0	17,681
2029-30	10,707	1,518	0	4,293	657	0	0	17,175
2030-31	10,551	1,130	0	4,449	502	0	0	16,632
2031-32	10,390	747	0	4,610	340	0	0	16,087
2032-33	<u>10,223</u>	<u>370</u>	<u>0</u>	<u>4,777</u>	<u>174</u>	<u>0</u>	<u>0</u>	<u>15,544</u>
	18,746,918	422,754	736,712	173,368	37,124	13,100,290	11,646,487	44,863,653

NOTE F – CAPITAL LEASE PAYABLE

The District leases buses under capital leases with KISTA. The leases expire on various dates from June 2014 through June 2023.

<u>Classes of Property</u>	<u>Book value as of June 30, 2013</u>
Buses	\$ 32,976

The following is a schedule by years of the future minimum lease payments under capital lease together with the present value of the net minimum lease payments as of June 30, 2013.

<u>Year Ending June 30,</u>	<u>Capital Lease Payable</u>
2014	\$ 55,330
2015	43,192
2016	30,959
2017	14,237
2018	9,289
Thereafter	<u>15,862</u>
Total minimum lease payments	\$ 168,869
Less Amount representing interest	(<u>8,529</u>)
Present Value of Net Minimum Lease Payments	\$ 160,340

ROBERTSON COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2013

NOTE G – COMMITMENTS UNDER NONCAPITALIZED LEASES

None

NOTE H – RETIREMENT PLANS

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

Funding Policy – Contribution rates are established by KRS. Members are required to contribute 10.855% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries for members before July 1, 2008 and 14.105% of salaries for members 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, KRS 161.675 requires KTRS to provide access to post-employment healthcare benefits to eligible members and dependents. The KTRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the KY 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 KY Employees Health Plan administered by the KY 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.

ROBERTSON COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2013

NOTE H – 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 and 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 member's salary for the 2012-2013 fiscal year.

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System ("CERS"), a cost sharing, multiple-employer, public employers retirement system. Funding for the Plan is provided through payroll withholdings of 5% and a District contribution of 19.55% of the employee's total compensation subject to contribution.

Benefits under both plans will vary based on final compensation, years of service and other factors as fully described in the Plan documents.

The following are payroll and retirement amounts for the years ended June 30, 2013, 2012, and 2011.

	2013	2012	2011
Total payroll	2,360,739	2,445,837	2,460,747
KTRS total payroll	1,890,037	1,965,311	2,023,242
CERS total payroll	422,434	480,527	437,505
Contribution requirement for CERS	104,656	108,541	95,945
District portion – CERS contribution	82,308	85,670	74,070
Employee portion – CERS contribution	21,165	22,871	21,875
KTRS contribution – Commonwealth of KY	215,152	211,662	237,509
KTRS contribution – District Federal Employees	52,616	49,671	29,046

NOTE I – CONTINGENCIES

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

ROBERTSON COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2013

NOTE J – INSURANCE AND RELATED ACTIVITIES

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

NOTE K – ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon retirement from the school system, an employee will receive from the district an amount equal to 30% of the value of accumulated sick leave. At June 30, 2013, this amount totaled \$86,149, of which \$0 is restricted in the current year fund balance of the General Fund.

NOTE L – INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2013, consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
None		

NOTE M – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District purchases various insurance policies.

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

NOTE N – DEFICIT OPERATING/FUND BALANCES

Funds with a current year deficit of revenues over expenditures

Fund 310	(47,244)
Fund 320	(234,979)
Fund 360	(8,880,723)
Fund 51	(32,745)

NOTE O – COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss. The District notifies the Department of Employee Insurance (DEI) when an employee is no longer employed. DEI sends the employee the COBRA requirements.

ROBERTSON COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2013

NOTE P – 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	2	1	Transfer Donation	\$ 95,948
Operating	320	1	BFFT	228,249
Operating	310	1	COFT	78,278
Operating	51	1	Indirect Cost	3,931
Operating	320	360	Construction	73,830
Debt Service	320	400	Bond Payment	156,681
Bond Proceeds	400	360	Construction	202,042

NOTE Q – ON-BEHALF PAYMENTS

The financial statements include payments made by the Commonwealth of Kentucky for insurance, flexible spending, vocational and retirement benefits. The following amounts are included in each of the functions.

Health Insurance	\$ 434,413
Life Insurance	984
Administrative Fees	4,662
Health Reimbursement Account	19,512
Federal Reimbursement	(65,149)
KTRS	215,152
Technology On Behalf Payments	41,573
Debt Service On Behalf Payments	<u>894,133</u>
Total On-Behalf Payments	\$ 1,545,280

General Fund	\$ 590,693
Debt Service	894,133
Food Service	<u>60,454</u>
Total On-Behalf Payments	\$ 1,545,280

NOTE R – DEPOSITS AND INVESTMENTS

Interest rate risk. In accordance with the District's investment policy, interest rate risk is limited by investing in public funds with the highest rate of return with the maximum security of principal. Investments are undertaken in a manner that seeks to ensure preservation of the capital in its portfolio.

Credit risk. The District's investment policy limits the types of authorized investment instruments to obligations of the United States, its agencies, and instrumentalities. In addition, certificates of deposit or bonds of a bank or the Commonwealth of Kentucky, securities issued by a state or local government or shares of mutual funds are acceptable investments.

ROBERTSON COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2013

NOTE R – DEPOSITS AND INVESTMENTS (continued)

Concentration of credit risk. The district may invest, at any one time, funds in any one of the above listed categories with no limitation of the total amount of funds invested on behalf of the District.

Custodial credit risk – deposits. For deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned. The District maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As allowed by law the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times. As of June 30, 2013, the District's deposits are entirely insured and/or collateralized with securities held by the financial institutions on the District's behalf and the FDIC insurance.

NOTE S – KSBIT ASSESSMENT

During the fiscal year the District was notified the Kentucky School Board Insurance Trust (KSBIT) would be dissolving as the self-insurance provider for school districts in Kentucky. KSBIT has informed Districts there is an unfunded liability that will be assessed. The exact amount of the assessment has not been determined. The District has shown a liability of \$99,658 based on the "Novation" calculation provided by KSBIT.

NOTE T – GASB 68

In March 2009, the Governmental Accounting Standards Board (GASB) approved Statement No. 68, Accounting and Financial Reporting for Pensions. Statement 68 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. The provisions of the statement must be implemented by the District no later than the fiscal year beginning July 1, 2014.

NOTE U – DISTRICT WIDE UNRESTRICTED FUND BALANCE

The District Wide Unrestricted Fund Balance is a negative \$(2,648,781). During the year the General Fund transferred assets to the Food Service Fund totaling \$1,496,683. In addition, the 2011 Bond Series with principal of \$18,380,000 does not have annual principal reduction payments. Instead, payments are made into a Sinking Fund which will accumulate and pay off the principal in fiscal year ending June 30, 2028. The Sinking Fund balance of \$935,534 is restricted in the Debt Service Fund. These two items account for most of the deficit.

NOTE V – DIFFERENCE IN ANNUAL FINANCIAL REPORT (AFR)

A journal entry was made in period 13 June 30, 2012 that should have been made in period 13 June 30, 2013. After the year end for June 30, 2013 was closed the journal entry made in June 30, 2012 could not be reversed. Fund 2 shows a beginning balance of \$(8,796,58) because of the journal entry made in the wrong period. Fund 1, Instruction is also overstated by \$8,796.58 because of that same entry.

SUPPLEMENTARY INFORMATION

ROBERTSON COUNTY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
 For The Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Taxes	499,000	487,000	514,350	27,350
Other Local Sources	58,000	5,400	54,630	49,230
State Sources	1,643,386	1,558,836	2,160,042	601,206
Federal Sources	<u>30,000</u>	<u>30,000</u>	<u>18,091</u>	<u>(11,909)</u>
TOTAL REVENUES	2,230,386	2,081,236	2,747,113	665,877
EXPENDITURES				
Instruction	1,355,626	1,250,883	1,815,923	(565,040)
Support Services				
Student	116,344	128,618	153,984	(25,366)
Instructional Staff	61,216	59,879	67,647	(7,768)
District Administration	285,342	239,506	416,476	(176,970)
School Administration	93,550	95,466	142,751	(47,285)
Business	68,825	52,398	107,353	(54,955)
Plant Operation and Maintenance	125,186	84,480	217,348	(132,868)
Student Transportation	166,512	138,506	226,995	(88,489)
Debt Service	0	0	1,745	(1,745)
Contingency	<u>106,000</u>	<u>50,000</u>		<u>50,000</u>
TOTAL EXPENDITURES	2,378,601	2,099,736	3,150,222	(1,050,486)
Excess (Deficit) of Revenues Over Expenditures	(148,215)	(18,500)	(403,109)	(384,609)
OTHER FINANCING SOURCES (USES)				
Sale of Assets	0	11,000	57,713	46,713
Operating Transfers In	7,500	7,500	406,406	398,906
Operating Transfers Out	<u>(6,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL OTHER FINANCING SOURCES (USES)	1,500	18,500	464,119	445,619
Excesss (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(146,715)	0	61,010	61,010
Fund Balance, July 1, 2012	<u>146,715</u>	<u>0</u>	<u>(360)</u>	<u>(360)</u>
Fund Balance, June 30, 2013	\$0	\$0	\$60,650	\$60,650

On-Behalf payments are not budgeted. Both revenues and expenditures are equally increased by the amount of on-behalf payments totaling \$590,693.

ROBERTSON COUNTY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE FOR SPECIAL REVENUE
 For The Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
State Sources	\$164,874	\$170,919	\$172,231	1,312
Federal Sources	293,033	291,335	451,831	160,496
Local Sources	<u>0</u>	<u>0</u>	<u>95,948</u>	<u>95,948</u>
TOTAL REVENUES	457,907	462,254	720,010	257,756
EXPENDITURES				
Instruction	331,522	335,649	398,352	(62,703)
Support Services				
Student	14,561	9,901	10,702	(801)
Instructional Staff	1,525	1,525	35,609	(34,084)
District Administration	33,010	33,010	29,854	3,156
School Administration	0	0	26,019	(26,019)
Business	12,000	6,000	4,318	1,682
Student Transportation	15,290	15,290	7,052	8,238
Community Service Operations	<u>55,999</u>	<u>60,879</u>	<u>112,156</u>	<u>(51,277)</u>
TOTAL EXPENDITURES	463,907	462,254	624,062	(161,808)
Excess (Deficit) of Revenues Over Expenditures	(6,000)	0	95,948	95,948
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	6,000	0	0	0
Operating Transfers Out	<u>0</u>	<u>0</u>	<u>(95,948)</u>	<u>(95,948)</u>
TOTAL OTHER FINANCING SOURCES (USES)	6,000	0	(95,948)	(95,948)
Excesss (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	0	0	0	0
Restricted Fund Balance, July 1, 2012	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Restricted Fund Balance, June 30, 2013	\$0	\$0	\$0	\$0

ROBERTSON COUNTY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 As of June 30, 2013

	SEEK Capital Outlay Fund	Building Fund	Total
ASSETS AND RESOURCES			
Cash and equivalents	\$1,063	\$1	\$1,064
TOTAL ASSETS AND RESOURCES	\$1,063	\$1	\$1,064
FUND BALANCES			
Restricted - SFCC	\$1,063	1	\$1,064
TOTAL FUND BALANCES	1,063	1	1,064
TOTAL LIABILITIES AND FUND BALANCES	\$1,063	\$1	\$1,064

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

	SEEK Capital Outlay Fund	Building Fund	Total
REVENUES			
Property taxes	\$0	\$85,202	\$85,202
Interest on investments	112	100	212
Intergovernmental-State	<u>30,922</u>	<u>138,978</u>	<u>169,900</u>
TOTAL REVENUES	31,034	224,280	255,314
EXPENDITURES			
Debt service and miscellaneous		<u>500</u>	<u>500</u>
TOTAL EXPENDITURES		500	500
Excess (deficit) revenues over expenditures	31,034	223,780	254,814
OTHER FINANCING SOURCES (USES)			
Operating transfers out	<u>(78,278)</u>	<u>(458,759)</u>	<u>(537,037)</u>
TOTAL OTHER FINANCING SOURCES (USES)	(78,278)	(458,759)	(537,037)
Excess (deficit) revenues and other financing sources over expenditures and other financing uses	(47,244)	(234,979)	(282,223)
Restricted Fund Balance, July 1, 2012	<u>48,307</u>	<u>234,980</u>	<u>283,287</u>
Restricted Fund Balance, June 30, 2013	\$1,063	\$1	\$1,064

ROBERTSON COUNTY SCHOOL DISTRICT
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS
 ROBERTSON COUNTY SCHOOL
 For The Year Ended June 30, 2013

	Cash Balances July 1, 2012	Receipts	Disbursements	Cash Balances June 30, 2013	Accounts Receivable June 30, 2013	Accounts Payable June 30, 2013	Due To Student Groups June 30, 2013
	\$244	\$0	\$0	\$244	\$0	\$0	\$244
Ag Shop	101	106	190	17			17
Allison, K.	1,549	3,567	2,146	2,970			2,970
Annals	0	1,443	778	665			665
Armstrong, K.	37,174	56,911	78,539	15,546	534	534	15,012
Athletics	145	4,946	4,420	671	114	114	557
Band	674	212	335	551			551
Bane	615	2,773	3,108	280			280
Beta Club	256	1,620	1,201	675			675
Boyd, T.	1,463	212	33	1,642			1,642
Brown, J.	297	1,174	1,268	203			203
Brrumagen, K.	206	10,801	10,780	227			227
Carnival	930	9,590	8,889	1,631			1,631
Cheerleaders	525	618	4,038	0			0
CL 2011	3,420	8,905	8,108	4,415			4,415
CL 2013 (Hildebrand)	3,618	6,275	1,443	12,541			12,541
CL 2014 (Stewart)	7,709	3,142	1,237	2,145			2,145
CL 2015 (J. Brown)	240	1,730	916	2,055			2,055
CL 2016 (Bane/Collins)	1,241	2,961	1,848	1,113			1,113
CL 2017 (Ishmael)	0	788	171	0			0
CL 2018	788	212	366	366			366
Clark, K.	325	55	55	55			55
Collins, R.	0	343	627	0			0
Counselor	284	409	409	0			0
E-Discovery EL	409	10,741	10,741	2,575			2,570
E-Discovery (Linville)	2,820	16,194	15,001	1,974	5	5	1,974
FCCLA	781	2,574	2,018	556			556
FFA	0	1,930	1,672	258			258
FRYSC	0	4	4	0			0
Fun Friday	4	4,924	5,392	917			917
FUTP60 (J. Gifford)	1,385	263	179	84			70
General	0	212	365	259		14	259
Gifford J. (FACS)	412	813	492	560			560
Graves, C.	239	7,462	11,812	6,589		254	6,335
Gray, T.	10,939	212	109	1,095			1,095
Greenhouse	992	227	353	0			0
Henderson, L.	126	670	301	369			369
Hildebrand, D.	0	829	829	534			534
Howard, B.	534	0	0	0			0
HS Teachers	0	0	0	0			0
Hudgins, A.	0	0	0	0			0

ROBERTSON COUNTY SCHOOL DISTRICT
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS
 ROBERTSON COUNTY SCHOOL
 For The Year Ended June 30, 2013

	Cash Balances Beginning	Receipts	Disbursements	Cash Balances Ending	Accounts Receivable	Accounts Payable	Due To Student Groups Ending
Inferno (C. Graves)	323	1,231	1,017	537			537
Isaac, J.	40	186	156	70			70
Ishmael, L.	305	2,152	2,351	106			106
Johnson, T.	340	106		446			446
Jr. Statesman Scholarship	179		179	0			0
King, K.	126	953	1,045	34		34	0
Kissick, P.	55		55	0			0
Leslie, D.	1,355	620	675	1,300			1,300
Library	229	503	473	259			259
Linville, H.	295	2,092	2,361	26			26
Livestock Barn	1,364	1,900	2,240	1,024			1,024
Lounge	69	1,398	1,467	0			0
Massey, A.	608	762	847	523			523
Massey, G.	93	297	386	4			4
Miller, T.	1,604	212		1,816			1,816
Miller, J.	501		501	0			0
Price, P.	245	106	351	0			0
Primary Fund	4,246	22,048	24,373	1,921		291	1,630
Project Prom	330	6,457	6,575	212			212
PTC	172		172	0			0
Roberts, K.	309	423	715	17			17
Schalch, R.	131	1,062	1,166	27			27
Scholarship (Dryden)	115,312	35,386	25,456	125,242			125,242
Speech	448		193	255			255
Stewart, C.	1,000	1,192	1,337	855			855
Tanner, M.	372	495	867	0			0
Tech	471	2,210	1,179	1,502			1,502
Tournament-Girls	1,500	1,625	1,126	1,999			1,999
Underwood, J.	699	1,145	1,310	534			534
Underwood, A.	151	513	538	126			126
Wellman, J.	31		31	0			0
Wish Fund (C. Graves)	6,191	13,765	19,956	0			0
Woods, T.	460	342	603	199			199
Zoo	97	6,391	6,294	194			194
Subtotal	220,096	269,974	287,060	203,010	0	1,246	201,764
Transfers		(14,725)	(14,725)				
Totals	220,096	255,249	272,335	203,010	0	1,246	201,764

ROBERTSON COUNTY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Year Ended June 30, 2013

Federal Grantor/Passed-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass Through Grantor's Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed through Kentucky Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	7750002 12	\$18,917
National School Lunch Program	10.555	7750002 13	84,180
School Breakfast Program	10.553	7760005 12	13,136
School Breakfast Program	10.553	7760005 13	57,215
Commodities	10.555	Not Provided	<u>11,709</u>
Total Child Nutrition Cluster			185,157
TOTAL U.S. DEPARTMENT OF AGRICULTURE			185,157
<u>U.S. Department of Education</u>			
Passed through Kentucky Department of Education			
Improving America's School Act of 1994			
Title I, Part A Cluster			
Title I Grants to Local Educational Agencies	84.010	3100002 11	10,132
Title I Grants to Local Educational Agencies	84.010	3100002 12	79,635
Title I Grants to Local Educational Agencies	84.010	3100202 11	<u>27,350</u>
		subtotal	117,117
Special Education Cluster (IDEA)			
Special Education-Grants to States (IDEA, Part B)	84.027	3810002 12	77,756
Special Education-Preschool Grants (IDEA, Preschool)	84.173	3800002 11	821
Special Education-Preschool Grants (IDEA, Preschool)	84.173	3800002 12	<u>4,903</u>
		subtotal	83,480
Improving Teacher Quality State Grants	84.367	3230002 12	24,372
Education Jobs Fund (Ed Jobs)	84.410	EJOB00	7,760
Career and Technical Education - Basic Grants to States			
Perkins IV	84.048	4621332 12	4,086
Perkins Carryforward	84.048	4621232 11	<u>159</u>
		subtotal	4,245

The accompanying notes are an integral part of this schedule

ROBERTSON COUNTY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Year Ended June 30, 2013

Federal Grantor/Passed-Through Grantor Program or Cluster Title	<u>Federal CFDA Number</u>	<u>Pass Through Grantor's Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education</u>			
Passed through Kentucky Department of Education			
Twenty-First Century Community Learning Centers	84.287	3400002 10	15,972
Twenty-First Century Community Learning Centers	84.287	3400002 11	<u>67,500</u>
		subtotal	83,472
School Improvement Grants, Recovery Act	84.388	4100302 09	115,956
Direct through U.S. Department of Education			
Rural Education Achievement Program	84.358A	S358A120590	<u>14,240</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			450,642
Appalachian Regional Commission			
Pass through Morehead State University KY Appalachian Higher Education Center (KY AHED)	23.011	46-0200-0-1-452	<u>1,189</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$636,988

The accompanying notes are an integral part of this schedule

ROBERTSON COUNTY SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2013

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Robertson County School District (the "District") under programs of the federal government for the year ended June 30, 2013. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States and 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 position or cash flows of the District.

Note 2 – 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Note 3 – Food Distribution

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities disbursed, totaling \$11,709.

**DENISE M. KEENE
CERTIFIED PUBLIC ACCOUNTANT
P.O. BOX 1444
GEORGETOWN, KENTUCKY 40324
502-857-2579**

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

(for a Governmental Entity)

(No Material Weaknesses Identified, No Significant Deficiencies Identified,
No Reportable Instances of Noncompliance, or Other Matters Identified)

Independent Auditor's Report

State Committee For School District Audits
Members of the Board of Education
Robertson County School District
Mt. Olivet, Kentucky

We have audited, 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, the provisions of Office of Management and Budget Circular A-133, Audits of States and Local Governments, and Non-profit Organizations, and the audit requirement prescribed by the Kentucky Committee for School District Audits, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Robertson County Board of Education as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated November 12, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

I noted certain matters that I reported to management of the District in a separate letter dated November 12, 2013.

This report is intended solely for the information and use of the audit committee, management, federal awarding agencies, pass-through entities and specific legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.

Denise M. Keene

Denise M. Keene, CPA
Georgetown, Kentucky
November 12, 2013

**DENISE M. KEENE
CERTIFIED PUBLIC ACCOUNTANT
P.O. BOX 1444
GEORGETOWN, KENTUCKY 40324
502-857-2579**

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133
(Unmodified Opinion on Compliance for each Major Program; No Material Weaknesses or
Significant Deficiencies in Internal Control Over Compliance Identified)

INDEPENDENT AUDITOR'S REPORT

State Committee For School District Audits
Members of the Board of Education
Robertson County School District
Mt. Olivet, Kentucky

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the audit requirements prescribed by the Kentucky Committee for School District Audits. 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 on 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 Robertson County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered 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 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.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of Robertson County School District as of and for the year ended June 30, 2013, and have issued our report thereon dated November 12, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of

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

This report is intended solely for the information and use of the audit committee, management, federal awarding agencies, pass-through entities and specific legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.

Denise M. Keene

Denise M. Keene, CPA
Georgetown, Kentucky
November 12, 2013

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

Section I – Summary of Auditor’s Results

Financial Statements

An unmodified opinion was issued on the financial statements.

Internal control over financial reporting

Material weakness(es) identified? yes no

Significant deficiency(s) identified that are not
considered to be material weakness(es)? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes no

Significant deficiency(s) identified that are not
Considered to be material weakness(es)? yes none reported

An unmodified opinion was issued on compliance for all major programs.

Any audit findings disclosed that are required to be reported
in accordance with section 510(a) of Circular A-133? yes no

Identification of major programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.173	Special Education Cluster (IDEA)
84.388	School Improvement Grants, Recovery Act

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? yes no

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

ROBERTSON COUNTY SCHOOL DISTRICT
SCHEDULE FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2013

PRIOR YEAR – FINANCIAL STATEMENT FINDINGS

None were reported last year

PRIOR YEAR – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None were reported last year

MANAGEMENT LETTER

**DENISE M. KEENE
CERTIFIED PUBLIC ACCOUNTANT
P.O. BOX 1444
GEORGETOWN, KENTUCKY 40324
502-857-2579**

Robertson County Board of Education
Mt. Olivet, Kentucky

We have audited the financial statements of the Robertson County School District for the year ended June 30, 2013 and have issued our report thereon dated November 12, 2013. As part of our audit, we made a study and evaluation of the District's system of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the District's financial statements. Our study and evaluation was more limited than would be necessary for expressing an opinion on the system of internal accounting control taken as a whole.

The management of the Robertson County School District is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors, or irregularities may nevertheless occur and not be detected. Also, projections of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system of internal accounting control. Accordingly, we do not express an opinion on the system of internal accounting control of the Robertson County School District taken as a whole. Our study and evaluation disclosed no condition that we believe to be a material weakness.

The following items from last year's management letter points were corrected during the current fiscal year as outlined in the District's response: 12-1, 12-3, 12-4, 12-5, 12-6,

The following items from last year's management letter points were not corrected: 12-2, 12-7

CURRENT YEAR MANAGEMENT POINT

2013-01

During the year two (2) of four (4) quarterly CDIP reports were filed late. The reports are due the 25th of the month following the end of the quarter. I recommend the finance officer set up a calendar of due dates to assure reports are filed on time.

Management's response:

Finance Officer will develop a calendar of due dates to post in the central office area to assure reports are filed on time, and will discuss with submitter of CDIP quarterly, the importance of adhering to the due date of the 25th of the month following the end of the quarter. The Finance Office will complete a check on the 25th of the month following the end of the quarter to make sure this report has been submitted by due date.

2013-02

During the year there were credit card charges that were paid without any documentation of an original invoice. In addition, sales tax was paid on some credit card charges. No payments should be made without proper documentation attached. The District is exempt from sales tax. A tax exempt form should be sent to vendors to prevent paying sales tax on transactions.

Management's response:

Credit card payments will be monitored and checked to ensure a copy of an original invoice or receipt is included with purchases. No purchases will be pre-approved to include any tax on purchases, and tax exempt certificates will be completed upon purchase approvals and sent to vendors.

2013-03

The District needs to improve their purchasing procedures. At the beginning of the year purchase orders and standard invoices were not used consistently. Starting in November all purchases had either a purchase order or a standard invoice. However, some purchase orders were not dated. Some purchase orders were dated after the invoice, thus not approved before the obligation. Food service did not date their purchase orders or standard invoice. I recommend that all purchase orders be approved before the obligation is made and all are dated.

Management's response:

The district has implemented a pre-approved purchasing process using purchase orders, and dates will be issued on purchase orders at time of check out and approval.

2013-04

When the new finance officer came into the District in October 2012, she found the bank account had not been reconciled for a long time. She went back to July 2010 and was able to reconcile most of the difference. However, she could not reconcile \$12,232.49 which was corrected by journal entry in March 2013. The bank accounts are being reconciled monthly now. I recommend the bank reconciliation be signed and dated by the preparer and signed and dated after review by the superintendent.

Management's response:

The district has already begun the process of having the preparer sign and date bank reconciliations when reconciled, then statements are sent to the Superintendent for review and final approval. This will be monitored to ensure that this is occurring each month. Each month the Board receives a bank reconciliation report of a balanced statement with our MUNIS financial system balances to approve as well.

2013-05

Payroll policies and procedures need attention.

- (a) Classified employees do not do timesheets. There was no documentation that classified employees worked the days contracted. I recommend classified employees do timesheets and days worked be recorded and compared to contracted days.
- (b) Certified staff do not do work calendars. I recommend that certified staff turn in work calendars to document the days worked.
- (c) One employee was not paid from the salary schedule. I recommend all staff be paid according to the salary schedule.
- (d) Testing disclosed that three (3) employees were overpaid during the year. I recommend a year end reconciliation of contract amounts to payments made.
- (e) I-9s did not have all required documentation (2 out of 9 tested). I recommend the District do a records review to ensure compliance with documentation requirements for I-9s.
- (f) Testing disclosed that 2 certified and 1 classified employee did not have contracts. I recommend the District do a records review to ensure all employees have a contract in their personnel file.
- (g) The District was fined \$1,000 for filing a monthly report late (the July 2012 report was rejected several times). I recommend a calendar of due dates be established so that all reports are filed timely.

Management's response:

- (a) Effective the 2013-2014 fiscal year, classified employees have begun completing time sheets. Days and hours are recorded and will be compared to contracted days at end of fiscal year.
- (b) Effective the 2013-2014 fiscal year, certified employees have begun completing monthly work calendars and submit to the central office by the 1st of each month.
- (c) An internal audit of personnel files is being completed to ensure the accuracy of years of service and pay is made in accordance to approved salary schedules. A reconciliation of contract amounts to payments made will be completed before the June 30th payroll, and any necessary payroll adjustments will be made.
- (d) An internal audit of personnel files is being completed to ensure the accuracy of years of service and pay is made in accordance to approved salary schedules. A reconciliation of contract amounts to payments made will be completed before the June 30th payroll, and any necessary payroll adjustments will be made.
- (e) An internal audit of personnel files will be completed and active employees missing documentation will be required to provide the necessary documentation.
- (f) An internal audit of personnel files will be completed and employees with missing contracts will be provide a contract.
- (g) A calendar of due dates will be developed and posting in central office to help ensure all due dates are adhered too and reports are filed timely.

ROBERTSON COUNTY SCHOOL

2013-06

According to the "Accounting Procedures for Kentucky School Activity Funds" (the Red Book), "to initiate a purchase a Purchase Order (Form F-SA-7) shall be prepared and approved by the sponsor and principal before the payment is obligated." Testing disclosed that 13 out of 24 invoices had dates prior to the approval date, 2 out of 24 were not approved by the Principal, 9 out of 24 were not approved by the sponsor, 1 PO was not approved by the Principal or Sponsor. Management should emphasis to all staff that purchases **must** be approved before the purchase is initiated. Signatures from the Principal and Sponsor should be obtained before processing the PO.

Management's response:

We went to a Red Book training this summer and since then we are following the correct procedures.

2013-07

All money collected by a teacher/sponsor shall be given to the school treasurer daily. Several teachers are not signing and dating the multiple receipt forms. Teachers should be reminded to turn money in daily. All forms should be signed and dated appropriately.

Management's response:

We went to a Red Book training this summer and since then we are following the correct procedures.

2013-08

The school did not complete an activity budget for the fiscal year. According to the Red Book, the principal is to "prepare and submit annual Principal's Combining Budget to the superintendent."

Management's response:

We went to a Red Book training this summer and since then we are following the correct procedures.

2013-09

Ticket sales form is not being properly signed. The person in charge of sales should sign the top of the form at the time money and tickets are originally received, and the bottom of the form when money is returned. The school is using an old form which does not have a place for the ticket taker to sign. The school should use the current form from the Red Book and obtain all signatures. **This is a repeat finding from last year.**

Management's response:

We went to a Red Book training this summer and since then we are following the correct procedures. We were not informed of this in the past.

2013-10

According to the Red Book, "District employees shall not be paid directly from school activity funds for extra duties and extra services." During the year the school paid an employee from the school activity fund. Management should turn in all extra services done by an employee of the district to central office to be included in the employees regular pay checks.

Management's response:

This has been taken care of.

2013-11

The school did not use Fundraiser worksheets or inventory control worksheets as required by the Red Book. The school should use the forms in the Red Book as required. **This is a repeat finding from last year.**

Management's response:

We went to a Red Book training this summer and since then we are following the correct procedures. We were not informed of this in the past.

2013-12

According to the Red Book, "Amounts may be transferred between activity funds only by proper completion of a Transfer Form. The sponsor of the remitting (paying) activity account and the principal shall sign the Transfer Form. The school did not complete transfer forms. No signatures to authorize the transfers were obtained. The school treasurer would just make a note of the transfers. There was \$14,725.30 transferred between accounts during the year without proper authorization. The school should use transfer forms and obtain signatures authorizing the transfer, before a transfer is executed.

Management's response:

We went to a Red Book training this summer and since then we are following the correct procedures.

2013-13

According to the Red Book, "Checks shall not be made payable to 'Cash'." There were 4 checks written to cash during the year. No checks should be written to cash, the Principal and treasurer should never sign a check written to cash.

Management's response;

We went to a Red Book training this summer and since then we are following the correct procedures. Checks for start up money are now being made out to the sponsor.

2013-14

According to Board policy, "Two (2) signatures shall be required on each check drawn against school activity funds, neither of which may be a signature stamp". Testing disclosed two (2) checks with only one signature. The Principal and treasurer should confirm that two (2) signatures before releasing a check.

Management's response:

This is something we know should never happen and can't believe that we let it happen.

2013-14

Schools are exempt from sales tax. Employees purchasing items for the school cannot be reimbursed for sales tax. Testing disclosed sales tax was reimbursed on two checks. The treasurer should review all requests for reimbursement to assure that sales tax is not included.

Management's response:

This was a simple mistake. We are aware that this should not happen.

2013-15

All purchases from school activity funds should have a direct benefit for students. No purchase should benefit an adult. The school purchased two (2) coaches cards for volunteers for keeping the books at athletic games. This purchase should not be made with school activity funds.

Management's response:

We went to a Red Book training this summer and since then we are following the correct procedures.

2013-16

The beginning balance of the June 30, 2013 annual financial report did not agree with the ending balance of the June 30, 2012 report. The beginning balance was off \$150.94. In addition, neither financial report included two (2) savings accounts and two (2) certificates of deposits. The annual financial report was understated by \$139,121.37. The beginning balance of the current year report must agree with the ending balance of the prior year. All accounts should be included in the annual financial report.

Management's response:

Two checks were voided that created the difference in beginning balance.

2013-17

The school is using Quicken as the software for the school activity funds. This software does not give the reports in a user friendly format. I recommend the school purchases the EPES software which is specifically for school activity funds.

Management's response:

Right now the cost is too much for us to afford.