

**ROCKCASTLE COUNTY SCHOOL DISTRICT**

**BASIC FINANCIAL STATEMENT  
AND SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2013**

**With  
REPORT OF INDEPENDENT AUDITORS**

**TABLE OF CONTENTS**

**Independent Auditor’s Report**..... 1

**Management’s Discussion and Analysis** ..... 4

**Basic Financial Statements**

**Government-wide Financial Statements:**

        Statement of Net Position..... 9

        Statement of Activities ..... 10

**Fund Financial Statements**

        Balance Sheet – Governmental Funds..... 11

        Reconciliation of the Balance Sheet – Governmental  
        Funds to the Statement of Net Position ..... 12

        Statement of Revenues, Expenditures, and Changes in  
        Fund Balances – Governmental Funds ..... 13

        Reconciliation of the Statement of Revenues, Expenditures, and  
        Changes in Fund Balances – Governmental Funds to the  
        Statement of Activities ..... 14

        Statement of Net Position – Proprietary Funds ..... 15

        Statement of Revenues, Expenses, and Changes in Net Position –  
        Proprietary Funds ..... 16

        Statement of Cash Flows – Proprietary Funds..... 17

        Statement of Fiduciary Net Position – Fiduciary Funds ..... 18

**Notes to the Basic Financial Statements**..... 19

## Supplementary Information

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund .....	36
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Special Revenue Fund.....	37
Notes to Required Supplementary Information – Budget and Actual – General Fund.....	38
Combining Balance Sheet – Nonmajor Governmental Funds.....	39
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds.....	40
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Elementary and Middle School Activity Funds.....	41
Statement of Revenues, Expenditures, and Changes in Fund Balances – Rockcastle County High School Activity Fund.....	42
Schedule of Expenditures of Federal Awards .....	45
Notes to the Schedule of Expenditures of Federal Awards .....	47
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	48
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.....	50
Schedule of Findings and Questioned Costs – Major Programs.....	53
Schedule of Prior Year Audit Findings .....	55
Independent Auditors' Transmittal Letter for Management Letter Comments.....	57
Management Letter Comments .....	58

**INDEPENDENT AUDITOR'S REPORT**

Kentucky State Committee for  
School District Audits  
Members of the Board of Education  
Rockcastle County School District  
Mt. Vernon, 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 Rockcastle County School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the provisions of the *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Auditor's Contract-General Audit Requirements* and *Appendix II to the Independent Auditor's Contract-State Audit Requirements*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinions**

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

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information per the table of contents 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 Rockcastle County School District's basic financial statements as a whole. The combining and individual nonmajor fund financial statements, and the schedule of expenditures of federal awards, as required by the 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 and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, and the schedule of expenditures of federal awards, as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The management's discussion and analysis and budgetary comparison information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by Governmental Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 11, 2013, on our consideration of Rockcastle County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rockcastle County School District's internal control over financial reporting and compliance.

*Cloyd & Associates, PSC*

Cloyd & Associates, PSC  
London, Kentucky  
November 11, 2013

**ROCKCASTLE COUNTY SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Year ended June 30, 2013

---

The management of Rockcastle County School District offers readers this narrative overview and analysis of the financial activities and educational programs of the District for the fiscal year ended June 30, 2013. We encourage readers to review the information presented here in conjunction with additional information found within the body of this audit.

This Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, issued June 1999; GASB Statement No. 37, Basic Financial Statement - and Management Discussion and Analysis - for State and Local Governments: Omnibus, an amendment to GASB Statements No. 21 and No. 34, issued in June 2001; and in GASB Statement No. 38, Certain Financial Statement Note Disclosures, issued in 2001. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

### **FINANCIAL HIGHLIGHTS**

- The ending cash balance for the District was \$5,399,611 in 2013 and \$5,690,551 in 2012. In 2013 and 2012, cash of \$1,197,510 and \$1,406,555 respectively, was reserved for capital projects.
- The General Fund had \$22,130,078 in revenue, excluding interfund transfers and proceeds from the sale of assets, which primarily consisted of the state program (SEEK) and property, utilities, and motor vehicle taxes. Excluding interfund transfers, there was \$22,964,390 in General Fund expenditures.
- Governmental Capital Assets had a net decrease of \$963,948 during the current fiscal year. Business-Type Activities Capital Assets had a net decrease of \$42,137 during the current fiscal year.
- Bonds are issued as the District renovates facilities consistent with a long-range facilities plan that is established with the community input and keeping with the Kentucky Department of Education stringent compliance regulations. The total debt decreased by \$975,000 during the current fiscal year.

### **OVERVIEW OF FINANCIAL STATEMENTS**

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

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

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

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

The government-wide financial statements outline functions of the District that are primarily 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 asset acquisitions and related debt are also supported by taxes and intergovernmental revenues. The government-wide financial statements can be found on the table of contents of this report.

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

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on pages 9 to 18 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that are still outstanding. The District used 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

**ROCKCASTLE COUNTY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)-CONTINUED**  
 Year ended June 30, 2013

the capital assets themselves cannot be used to liquidate these liabilities. The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

**Net Position for the period ending June 30, 2013**

Fiscal year 2013 government-wide net position compared to 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 5,990,837	\$ 6,538,736
Capital assets	30,849,999	31,779,036
<b>Total Assets</b>	<u>\$ 36,840,836</u>	<u>\$ 38,317,772</u>
Current liabilities	\$ 1,448,904	\$ 1,592,719
Noncurrent liabilities	6,692,735	7,625,149
<b>Total Liabilities</b>	<u>\$ 8,141,639</u>	<u>\$ 9,217,868</u>
Net investment in capital assets, net of debt	\$ 23,429,999	\$ 23,384,037
Restricted net position	1,380,256	1,626,131
Unrestricted net position	3,888,942	4,089,736
<b>Total Net Position</b>	<u>\$ 28,699,197</u>	<u>\$ 29,099,904</u>

Net Position may serve over time as a useful indicator of a government's financial position. In the case of the District, governmental assets exceeded liabilities by approximately \$27,929,286; proprietary assets exceeded liabilities by \$769,911 and total assets exceeded liabilities by \$28,699,197 at June 30, 2013.

The District had an overall decrease in unrestricted net position of \$200,794, comprised of a decrease in governmental activities unrestricted net position of \$200,794.

The following table presents a fund accounting comparison and summary of revenue and expense for Government Funds only for the fiscal years 2013 and 2012.

**ROCKCASTLE COUNTY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)-CONTINUED**  
Year ended June 30, 2013

	<u>2013</u>	<u>2012</u>
<b>Revenues and other financing sources</b>		
Local revenue sources	\$ 3,244,736	\$ 3,129,467
State revenue sources	21,378,649	21,575,558
Federal revenue	<u>2,768,201</u>	<u>3,725,999</u>
<b>Total Revenue</b>	<u>27,391,586</u>	<u>28,431,025</u>
<b>Expenditures and other financing uses</b>		
Instruction	16,744,589	17,243,166
Student support services	1,180,007	1,284,396
Instructional support	1,690,159	1,466,006
District administration	591,065	632,556
School administration	1,226,287	1,194,235
Business operations	255,978	204,951
Plant operation and maintenance	2,288,804	2,218,863
Student transportation	2,378,306	2,079,722
Other instructional	-	-
Community services	307,385	313,657
Debt service	1,212,070	1,208,599
Building acquisitions and construction	-	248,012
Site Improvement	<u>-</u>	<u>-</u>
<b>Total expenditures</b>	<u>27,874,650</u>	<u>28,094,163</u>
<b>Excess revenues (expenditures)</b>	<u>\$ (483,064)</u>	<u>\$ 336,862</u>
<b>Other financing sources (uses)</b>		
Bond proceeds	\$ -	\$ -
Transfers in	1,409,802	1,073,539
Transfers out	(1,409,802)	(1,073,539)
Proceeds from sale of assets	<u>15,580</u>	<u>5,380</u>
<b>Total other financing sources (uses)</b>	<u>\$ 15,580</u>	<u>\$ 5,380</u>
<b>Net change in fund balance</b>	<u>\$ (467,484)</u>	<u>\$ 342,242</u>

On-behalf payments are included in the above amounts. On-behalf, as defined by the KDE, are payments the state makes on behalf of employees to the various agencies for health and life insurance, retirement, and administration fees. The on-behalf payments are allocated to expense as mandated by the KDE and are credited to revenues; therefore, have no effect on the District's level fund balance.

## **BUDGETARY IMPLICATION**

In Kentucky the public school fiscal year is July 1 through June 30; other programs, such as, some federal programs operate on a different fiscal calendar, but are reflected in the District's overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a working budget with \$1,795,934 in contingency. Significant variations in the actual results of operations and the final budget are primarily due to on-behalf payments that are included in the financial statements, but are not budgeted by the District.

### **Comments on Budget Comparisons**

- The District's total general fund revenues for the fiscal year ended June 30, 2013 were \$22,130,078 excluding transfers.
- General fund budgeted revenue compared to actual revenue varied from line item to line item with the ending actual balance being \$4,929,468 more than budget or 28.66% more than budget. This is due primarily to recording on-behalf payments made by the State of Kentucky of \$4,606,639 that were not budgeted. When these are eliminated, revenues compared to budget were \$322,829 or 1.88% more than anticipated.
- The total cost of all general fund programs and services for the fiscal year ended June 30, 2013 was \$22,964,390.
- General fund budgeted expenditures compared to actual expenditures varied from line item to line item with the ending actual balance being \$1,501,358 more than budget or 7% more than budget. This is primarily due to recording on-behalf payments made by the State of Kentucky of \$4,606,639 that were not budgeted. When these are eliminated, expenditures compared to budget were \$3,105,281 or 14.47% less than anticipated.

### **Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives.

Questions regarding this report should be directed to the Superintendent or the Director of Finance at 606-256-2125, or by mail at Rockcastle County Schools, 245 Richmond Street, Mt. Vernon, Kentucky 40456.

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

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 366,936	\$ 7,675	\$ 374,611
Investments	5,025,000	-	5,025,000
Accounts receivable:			
Taxes	81,784	-	81,784
Other	-	-	-
Intergovernmental - State	3,686	-	3,686
Intergovernmental - Federal	353,996	111,019	465,015
Inventory	-	40,741	40,741
Bond issue costs, net	77,047	-	77,047
Capital Assets, net			
Nondepreciable	1,945,153	-	1,945,153
Depreciable	<u>28,215,634</u>	<u>612,165</u>	<u>28,827,799</u>
<b>Total assets</b>	<u>36,069,236</u>	<u>771,600</u>	<u>36,840,836</u>
<b>LIABILITIES</b>			
Accounts payable	74,243	1,689	75,932
Deferred revenue	406,003	-	406,003
Current maturities of bond obligations	780,000	-	780,000
Current portion of accumulated sick leave	132,059	-	132,059
Interest payable	54,910	-	54,910
Noncurrent maturities of bond obligations	6,640,000	-	6,640,000
Noncurrent portion of accumulated sick leave	<u>52,735</u>	<u>-</u>	<u>52,735</u>
<b>Total liabilities</b>	<u>8,139,950</u>	<u>1,689</u>	<u>8,141,639</u>
<b>NET POSITION</b>			
Net investment in capital assets	22,817,834	612,165	23,429,999
Restricted for:			
Capital expenditures	1,197,510	-	1,197,510
Other	25,000	157,746	182,746
Unrestricted	<u>3,888,942</u>	<u>-</u>	<u>3,888,942</u>
<b>Total net position</b>	<u>\$ 27,929,286</u>	<u>\$ 769,911</u>	<u>\$ 28,699,197</u>

The accompanying notes are an integral part of these financial statements

ROCKCASTLE COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year ended June 30, 2013

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>FUNCTIONS/PROGRAMS</b>							
<b>Governmental activities</b>							
Instruction	\$ 17,598,101	\$ -	\$ 5,747,785	\$ -	\$ (11,850,316)	\$ -	\$ (11,850,316)
Student	1,180,342	-	298,033	-	(882,309)	-	(882,309)
Instructional support	1,697,617	-	596,066	-	(1,101,551)	-	(1,101,551)
District administration	597,528	-	85,152	-	(512,376)	-	(512,376)
School administration	1,229,549	-	212,881	-	(1,016,668)	-	(1,016,668)
Business operations	257,483	-	42,576	-	(214,907)	-	(214,907)
Plant operations and maintenance	2,297,828	-	425,762	-	(1,872,066)	-	(1,872,066)
Student transportation	2,332,331	-	723,795	-	(1,608,537)	-	(1,608,537)
Other instructional	-	-	383,183	-	383,183	-	383,183
Community services	307,643	-	-	-	(307,643)	-	(307,643)
Interest on long-term debt	230,486	-	-	1,360,007	1,129,521	-	1,129,521
<b>Total governmental activities</b>	<b>27,728,909</b>	<b>-</b>	<b>8,515,233</b>	<b>1,360,007</b>	<b>(17,853,669)</b>	<b>-</b>	<b>(17,853,669)</b>
<b>Business-type activities</b>							
Food service	1,810,304	345,383	1,384,478	-	-	(80,443)	(80,443)
Community service operations	-	-	-	-	-	-	-
<b>Total business-type activities</b>	<b>1,810,304</b>	<b>345,383</b>	<b>1,384,478</b>	<b>-</b>	<b>-</b>	<b>(80,443)</b>	<b>(80,443)</b>
<b>Total primary government</b>	<b>\$ 29,539,213</b>	<b>\$ 345,383</b>	<b>\$ 9,899,711</b>	<b>\$ 1,360,007</b>	<b>(17,853,669)</b>	<b>(80,443)</b>	<b>(17,934,112)</b>
			<b>General revenues</b>				
			Taxes:				
			Property	1,783,990	-	1,783,990	
			Motor vehicle	383,678	-	383,678	
			Utility	840,311	-	840,311	
			Earnings on investments	118,256	1,477	119,733	
			State grants	14,271,610	-	14,271,610	
			Other local amounts	118,503	-	118,503	
			Transfers	-	-	-	
			Gain/(loss) on disposal of assets	15,580	-	15,580	
			Total general revenues	17,531,928	1,477	17,533,405	
			<b>Change in net position</b>	<b>(321,741)</b>	<b>(78,966)</b>	<b>(400,707)</b>	
			Net position as of June 30, 2012	28,251,027	848,877	29,099,904	
			<b>Net position as of June 30, 2013</b>	<b>\$ 27,929,286</b>	<b>\$ 769,911</b>	<b>\$ 28,699,197</b>	

**ROCKCASTLE COUNTY SCHOOL DISTRICT**

**BALANCE SHEET -**

**GOVERNMENTAL FUNDS**

June 30, 2013

	General Fund	Special Revenue Funds	Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments	\$ 4,092,188	\$ 77,238	\$ 1,197,510	\$ -	\$ 5,366,936
Investments	-	-	-	25,000	25,000
Accounts receivable:					
Taxes	81,784	-	-	-	81,784
Intergovernmental - State	-	3,686	-	-	3,686
Intergovernmental - Federal	-	353,996	-	-	353,996
<b>Total assets</b>	<b>\$ 4,173,972</b>	<b>\$ 434,920</b>	<b>\$ 1,197,510</b>	<b>\$ 25,000</b>	<b>\$ 5,831,402</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 45,327	\$ 28,916	\$ -	\$ -	\$ 74,243
Sick leave payable in progress	132,059	-	-	-	132,059
Deferred revenue	-	406,003	-	-	406,003
<b>Total liabilities</b>	<b>177,387</b>	<b>434,920</b>	<b>-</b>	<b>-</b>	<b>612,306</b>
<b>Fund balances</b>					
Nonspendable	-	-	-	25,000	25,000
Restricted	-	-	1,197,510	-	1,197,510
Assigned	-	-	-	-	-
Unassigned	3,996,586	-	-	-	3,996,586
<b>Total fund balances</b>	<b>3,996,586</b>	<b>-</b>	<b>1,197,510</b>	<b>25,000</b>	<b>5,219,096</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,173,972</b>	<b>\$ 434,920</b>	<b>\$ 1,197,510</b>	<b>\$ 25,000</b>	<b>\$ 5,831,402</b>

The accompanying notes are an integral part of these financial statements

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

---

Total fund balances - governmental funds	\$ 5,219,096
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	30,160,787
Capitalized the bond issue costs for the sale/refunding of bonds less amortization over the life of the bonds.	77,047
Bonds payable are not reported in the governmental fund balance sheet because they are not due and payable in the current period, but they are presented in the statement of net position.	(7,420,000)
Accumulated sick leave is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	(52,734)
Interest payable is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	<u>(54,910)</u>
Total net position - governmental activities	<u>\$ 27,929,286</u>

**ROCKCASTLE COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
Year ended June 30, 2013

	General Fund	Special Revenue Funds	Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
From local sources:					
Taxes:					
Property	\$ 1,528,744	\$ -	\$ -	\$ 255,246	\$ 1,783,990
Motor vehicle	383,678	-	-	-	383,678
Utility	840,311	-	-	-	840,311
Earnings on investments	104,617	1,636	12,002	-	118,255
Other local	93,592	24,911	-	-	118,503
Intergovernmental - State	19,038,534	980,108	-	1,360,007	21,378,649
Intergovernmental - Federal	140,602	2,627,599	-	-	2,768,201
<b>Total revenues</b>	<b>22,130,078</b>	<b>3,634,254</b>	<b>12,002</b>	<b>1,615,253</b>	<b>27,391,587</b>
<b>Expenditures</b>					
Current:					
Instruction	14,032,779	2,711,810	-	-	16,744,589
Student	1,097,900	82,108	-	-	1,180,008
Instructional support	1,375,469	314,690	-	-	1,690,159
District administration	569,013	-	-	22,052	591,065
School administration	1,226,287	-	-	-	1,226,287
Business operations	255,978	-	-	-	255,978
Plant operations and maintenance	2,288,804	-	-	-	2,288,804
Student transportation	2,118,160	260,146	-	-	2,378,306
Community services	-	307,385	-	-	307,385
Debt service	-	-	-	1,212,070	1,212,070
<b>Total expenditures</b>	<b>22,964,390</b>	<b>3,676,139</b>	<b>-</b>	<b>1,234,122</b>	<b>27,874,651</b>
Excess (deficit) of revenues over (under) expenditures	(834,312)	(41,885)	12,002	381,131	(483,064)
<b>Other financing sources (uses)</b>					
Bond principal proceeds	-	-	-	-	-
Sale or comp for loss of assets	15,580	-	-	-	15,580
Transfers in	560,396	41,885	-	807,521	1,409,802
Transfers out	-	-	(41,885)	(1,367,917)	(1,409,802)
<b>Total other financing sources (uses)</b>	<b>575,976</b>	<b>41,885</b>	<b>(41,885)</b>	<b>(560,396)</b>	<b>15,580</b>
<b>Net change in fund balance</b>	<b>(258,336)</b>	<b>-</b>	<b>(29,883)</b>	<b>(179,265)</b>	<b>(467,484)</b>
Fund balance as of June 30, 2012	4,254,922	-	1,227,393	204,265	5,686,580
<b>Fund balance as of June 30, 2013</b>	<b>\$ 3,996,586</b>	<b>\$ -</b>	<b>\$ 1,197,510</b>	<b>\$ 25,000</b>	<b>\$ 5,219,096</b>

**ROCKCASTLE COUNTY SCHOOL DISTRICT**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended June 30, 2013

---

Net change in total fund balances - governmental funds	\$ (467,484)
Amounts reported for governmental activities in the statement of revenues, expenses, and changes in net position are different because:	
Capital outlays are reported as expenditures in the governmental fund financial statements because they use current financial resources, but they are treated as assets in the statement of revenues, expenses, and changes in net position and depreciated over their estimated economic lives. The difference is the amount by which capital outlay exceeds depreciation expense for the year.	(963,948)
Bond issuance costs are reported as expenditures in the fund financial statements because they use current resources, but they are presented as assets in the statement of revenues, expenses, and change in net position and amortized over the life of the bond.	(14,309)
Bond and capital lease payments are recognized as expenditures of current financial resources in the governmental fund financial statements, but are reductions of liabilities in the statement of net position.	975,000
Interest payments are recognized as expenditures of current financial resources in the governmental fund financial statements, but are expensed as incurred in the statement of revenues, expenses, and changes in net position.	6,586
Accumulated sick leave is recognized by the amount earned in the statement of revenues, expenses, and changes in net position, but the governmental fund financial statements only recognize the obligations anticipated to be retired from existing financial resources.	<u>142,414</u>
Change in net position - governmental activities	<u>\$ (321,741)</u>

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

	<u>Food Service Fund</u>	<u>Total</u>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 7,675	\$ 7,675
Accounts receivable	111,019	111,019
Inventory	<u>40,741</u>	<u>40,741</u>
Total current assets	<u>159,435</u>	<u>159,435</u>
<b>Noncurrent assets</b>		
Capital assets	1,400,636	1,400,636
Less accumulated depreciation	<u>(788,471)</u>	<u>(788,471)</u>
Total noncurrent assets	<u>612,165</u>	<u>612,165</u>
<b>Total assets</b>	<u>771,600</u>	<u>771,600</u>
<b>LIABILITIES</b>		
Accounts payable	<u>1,689</u>	<u>1,689</u>
<b>Total liabilities</b>	<u>1,689</u>	<u>1,689</u>
<b>NET POSITION</b>		
Net investment in capital assets	612,165	612,165
Restricted for:		
Other	157,746	157,746
Unrestricted	<u>-</u>	<u>-</u>
<b>Total net position</b>	<u>\$ 769,911</u>	<u>\$ 769,911</u>

**ROCKCASTLE COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -**  
**PROPRIETARY FUNDS**  
Year ended June 30, 2013

	<u>Food Service Fund</u>	<u>Total</u>
<b>Operating revenues</b>		
Lunchroom sales	\$ 345,383	\$ 345,383
Tuition and fees	-	-
<b>Total operating revenues</b>	<u>345,383</u>	<u>345,383</u>
<b>Operating expenses</b>		
Salaries and wages	596,268	596,268
Employee benefits	323,494	323,494
Materials and supplies	849,944	849,944
Depreciation	40,598	40,598
<b>Total operating expenses</b>	<u>1,810,304</u>	<u>1,810,304</u>
<b>Operating loss</b>	<u>(1,464,921)</u>	<u>(1,464,921)</u>
<b>Nonoperating revenues</b>		
Federal grants	1,093,570	1,093,570
State grants	182,197	182,197
Donated commodities	110,251	110,251
Interest income	1,477	1,477
Loss on disposal of assets	(1,539)	(1,539)
<b>Total nonoperating revenues/(expenses)</b>	<u>1,385,955</u>	<u>1,385,955</u>
<b>Income before contributions</b>		
Transfers and special items	(78,966)	(78,966)
Transfers in	-	-
<b>Change in net position</b>	<u>(78,966)</u>	<u>(78,966)</u>
<b>Net position as of June 30, 2012</b>	<u>848,877</u>	<u>848,877</u>
<b>Net position as of June 30, 2013</b>	<u>\$ 769,911</u>	<u>\$ 769,911</u>

**ROCKCASTLE COUNTY SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS -**  
**PROPRIETARY FUNDS**  
Year ended June 30, 2013

	Food Service Fund	Total
<b>Cash flows from operating activities</b>		
Cash received from:		
Lunchroom sales	\$ 345,383	\$ 345,383
Other activities	-	-
Cash paid to/for:		
Employees	(919,762)	(919,762)
Supplies	(883,746)	(883,746)
Net cash used in operating activities	<u>(1,458,125)</u>	<u>(1,458,125)</u>
<b>Cash flows from non-capital financing activities</b>		
Grants received	1,274,998	1,274,998
Transfer in From General Fund	-	-
Net cash used in non-capital financing activities	<u>1,274,998</u>	<u>1,274,998</u>
<b>Cash flows from investing activities</b>		
Purchase of fixed assets	-	-
Interest received on investments	1,477	1,477
Net cash used in capital and related activities	<u>1,477</u>	<u>1,477</u>
Net increase in cash and cash equivalents	(181,651)	(181,651)
Cash and cash equivalents as of June 30, 2012	189,326	189,326
<b>Cash and cash equivalents as of June 30, 2013</b>	<u>\$ 7,675</u>	<u>\$ 7,675</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>		
Operating income/ (loss)	\$ (1,464,921)	\$ (1,464,921)
Adjustments to reconcile change in net position to net cash used in operating activities:		
(Increase) Decrease in Accounts receivable	-	-
(Increase) Decrease in Inventory	-	-
Increase (Decrease) in Accounts payable	(33,802)	(33,802)
Depreciation	40,598	40,598
<b>Net cash used in operating activities</b>	<u>\$ (1,458,125)</u>	<u>\$ (1,458,125)</u>
<b>Schedule of non-cash transactions:</b>		
Loss on disposal of assets	-	-
Depreciation	\$ 40,598	\$ 40,598
Donated commodities	110,251	110,251
<b>Total non-cash transactions</b>	<u>\$ 150,849</u>	<u>\$ 150,849</u>

ROCKCASTLE COUNTY SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET POSITION -  
 FIDUCIARY FUNDS  
 June 30, 2013

	<u>Agency Funds</u>	<u>Total Fiduciary Funds</u>
<b>ASSETS</b>		
Cash	\$ 410,589	\$ 410,589
Accounts receivable	<u>1,731</u>	<u>1,731</u>
<b>Total assets</b>	<u>412,320</u>	<u>412,320</u>
<b>LIABILITIES</b>		
Accounts payable	276	276
Due to student groups	<u>412,044</u>	<u>412,044</u>
<b>Total liabilities</b>	<u>412,320</u>	<u>412,320</u>
<b>Total net position</b>	<u>\$ -</u>	<u>\$ -</u>

## **1. REPORTING ENTITY**

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

The District, for financial purposes, includes all of the funds and activities relevant to the operation of the Rockcastle County Board of Education. The basic 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. Such funds or groups have been considered as prospective component units under GASB Statement Number 39, *Determining Whether Certain Organizations Are Component Units*, and have been determined to have insignificant assets, liabilities, equity, revenue and expenditures to be considered component units. In addition, the Board has the ability to exert little control over the fiscal activities of the funds or groups.

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

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

Rockcastle County School District Finance Corporation – In a prior year, the Rockcastle County Board of Education resolved to authorize the establishment of the Rockcastle County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation pursuant to Section 162.385 of the School Bond Act and Chapter 273 and Section 58.180 of the Kentucky Revised Statutes (the "Corporation") to act as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors.

## **2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The District has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989 to its proprietary funds, unless those pronouncements conflict or contradict GASB pronouncements.

The following is a summary of the basis of presentation:

**Government-wide Financial Statements** - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental, which normally are supported by tax revenues, and those that are considered business-type activities, which rely significantly on fees and charges for support.

## **2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED**

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. 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 government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District. 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 enterprise 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 fund balances. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Accounting principles generally accepted in the United States of America require that the General Fund be reported as a major fund. All other governmental and proprietary funds whose assets, liabilities, revenues, or expenditures comprise at least 10% of the total for the relevant fund category and at least 5% of the corresponding total for all governmental and proprietary funds combined must also be reported as major funds.

The District has the following funds:

### **I. Government Fund Types**

The General Fund is the main operating fund of the District. It accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. This is a budgeted fund, and any fund balances are considered as resources available for use. This is always a major fund of the District.

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

**2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED**

**I. Government Fund Types - continued**

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds). The Capital Projects Funds account for revenue and expenditures from three sources:

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

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

**II. Proprietary Fund Types (Enterprise Funds)**

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

The Child Care Fund accounts for the funds raised at schools providing after school care for children.

The Community Education Fund accounts for services rendered to the public. The fund also accounts for the services printing and copying.

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

**III. Fiduciary Fund Type (Agency Funds)**

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 the *Accounting Procedures for Kentucky School Activity Funds*.

**Basis of Accounting**

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

## **2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED**

Revenues, Exchange and Non-exchange Transactions - Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end. 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 use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from 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. The District reports deferred revenue on its statement of net position and governmental funds balance sheet. In both the government-wide and governmental fund statements, grants that are intended to finance future periods are reported as deferred revenue. In subsequent periods, the liability for deferred revenue is removed from the statement of net position and governmental funds balance sheet and revenue is recognized.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on flow of current financial resources. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid vacation and sick leave, which are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The fair value of donated commodities used during the year is reported in the statement of activities 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.

### Property Taxes

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

The property tax rates (including exonerations) assessed for the year ended June 30, 2013, to finance the General Fund operations were \$.401 per \$100 valuation for real property, \$.407 per \$100 valuation for business personal property and \$.483 per \$100 valuation for motor vehicles.

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

**2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED**

Prepaid Assets

Payments made that will benefit periods beyond the end of the fiscal year are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

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 maintains a capitalization threshold of \$5,000. 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 capitalized.

All reported capital assets, except land and construction-in-progress, 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>Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
School buses	10 years
Other vehicles	5 years
Audio-visual equipment	15 years
Food service equipment	12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other general equipment	10 years

Interfund Receivables and Payables

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.

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 vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

## **2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED**

The entire compensated absence liability includes the remaining 70% plus any accrued sick leave for people not eligible and is reported on the government-wide financial statements. For governmental fund financial statements, the amount of accumulated vacation and sick leave of employees has been recorded as an assigned portion of fund balance. The balance of the liability is not recorded.

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.

### Budgetary Process

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 on the modified accrual basis of accounting (budgetary) as opposed to when susceptible to accrual (GAAP).
- Expenditures are recorded on the modified accrual basis of accounting (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved by the Board, 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. Budgetary receipts represent original estimates modified for adjustments, if any, during the fiscal year. Budgetary disbursements represent original appropriations adjusted for budget transfers and additional appropriations, if any, approved during the fiscal year.

Each budget is prepared and controlled at the revenue and expenditure function/object level. All budget appropriations lapse at year-end. For purposes of audit presentation, the District only presents the General Fund budget within the financial statements.

### Cash and Cash Equivalents

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

### Receivables

The District recognizes revenues as receivables when they are measurable and receipt is probable. Concentration of credit risk with respect to the receivables from federal and state governments is limited due to the historical stability of those institutions. Federal and state grants to be used or expended as specified by the grantor are recognized as revenue and recorded as receivables as qualifying expenditures are made.

### Inventories

On government-wide and governmental fund financial statements inventories of supplies and materials are stated at cost and are expensed when used.

The school food service fund inventory consists of food, supplies and U.S. Government commodities.

The food service fund inventory is stated at cost and uses the specific identification method; the general fund inventory is stated at cost and uses the first-in, first-out method.

## 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

### Accrued Liabilities and Long-Term Obligations

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

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

### Fund Balances

Fund balances are separated into five categories, as required by GASB 54, as follows:

**Nonspendable** fund balance is permanently nonspendable by decree of donor. Examples would be an endowment or that which may not be used for another purpose such as amounts used to prepay future expenses or already purchased inventory on hand.

**Restricted** fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

**Committed** fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment.

**Assigned** fund balances are those amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrance of funds. Assigned fund balance also includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

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

It is the Board's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board, or managerial obligations, using restricted funds first, followed by committed funds, assigned funds, then unassigned funds.

### 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. Encumbrances are considered a managerial assignment of fund balance at June 30, 2013, in the governmental funds balance sheet.

## **2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED**

### Net Position

Net position represents 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 School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

### Operating and Non-Operating Revenues and Expenses

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

Non-operating revenues are not generated directly from the primary activity of the proprietary funds. For the School District those revenues come in the form of grants (federal and state), donated commodities, and earnings from investments.

### 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.

### Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as 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.

### Estimates

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

## **3. CUSTODIAL CREDIT RISK - DEPOSITS**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2013, none of the District's bank balance were exposed to custodial credit risk because of coverage by Federal Depository insurance and by collateral agreements and collateral held by the pledging banks' trust departments in the District's name.

**ROCKCASTLE COUNTY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED**  
Year ended June 30, 2013

---

**3. CUSTODIAL CREDIT RISK – DEPOSITS - CONTINUED**

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

	<u>Bank Balance</u>	<u>Book Balance</u>
Community Trust	\$ 3,288,796	\$ 2,500,489
Citizens Bank	<u>3,320,271</u>	<u>3,309,711</u>
	<u>\$ 6,609,067</u>	<u>\$ 5,810,200</u>

Breakdown per financial statements is as follows:

Governmental funds, including investments	\$ 5,391,936
Proprietary funds	7,675
Agency funds	<u>410,589</u>
	<u>\$ 5,810,200</u>

Cash is commingled in various bank accounts and short-term certificates of deposit. Due to the nature of the accounts and limitations imposed by bond issue requirements, construction projects, and Federal financial assistance programs, each cash account within the following funds is considered to be restricted:

- Special Revenue Funds
- SEEK Capital Outlay Fund
- Facility Support Program (FSPK) Fund
- School Construction Fund
- School Food Service Fund
- Agency Funds

**4. INVESTMENTS**

Funds of the District are public funds and, therefore, their investment is limited by statute to certain obligations of the United States or similar government agencies, cash instruments, and certain pooled investment funds as provided by KRS 66.480. At June 30, 2012, the District holds only demand deposits and certificates of deposit considered to be cash equivalents. Consequently, the District does not have investment related credit risk or interest risk.

**ROCKCASTLE COUNTY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED**  
Year ended June 30, 2013

**5. CAPITAL ASSETS**

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

	June 30, 2012 Balance	Additions	Retirements	June 30, 2013 Balance
<b>Governmental Activities</b>				
Land & land improvements	\$ 1,837,099	\$ -	\$ -	\$ 1,837,099
Buildings	41,113,690	-	-	41,113,690
Technology equipment	1,110,535	-	149,229	961,306
Vehicles	4,303,045	255,159	-	4,558,204
General equipment	339,224	-	-	339,224
Construction work in progress	1,286,198	-	-	1,286,198
Total historical cost	49,989,791	255,159	149,229	50,095,721
Less accumulated depreciation	18,865,056	1,218,584	148,706	19,934,934
Governmental capital assets, net	<u>\$ 31,124,735</u>	<u>\$ (963,425)</u>	<u>\$ 523</u>	<u>\$ 30,160,787</u>
<b>Business-type Activities</b>				
Buildings	\$ 880,926	\$ -	\$ -	\$ 880,926
Technology equipment	40,199	-	4,439	35,760
Food service equipment	483,950	-	-	483,950
Total historical cost	1,405,075	-	4,439	1,400,636
Less accumulated depreciation	750,773	40,598	2,900	788,471
Business-type capital assets, net	<u>\$ 654,302</u>	<u>\$ (40,598)</u>	<u>\$ 1,539</u>	<u>\$ 612,165</u>

Depreciation expense for business-type activities was entirely incurred in the operation of the School Food Services. Depreciation for governmental activities was charged to governmental functions as follows:

Instruction	\$ 981,095
Student	335
Instruction staff	7,458
District administrative	6,463
School administrative	3,262
Business	1,505
Plant operation and maintenance	9,024
Student transportation	209,184
Community Services	258
	<u>\$ 1,218,584</u>

**ROCKCASTLE COUNTY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED**  
Year ended June 30, 2013

---

**6. LONG-TERM OBLIGATIONS**

The amounts shown in the accompanying basic financial statements as bond obligations represent the District's future obligations to make lease payments relating to the bonds issued by the Rockcastle County School District Finance Corporation.

The original amount of each issue, the issue date, and interest rates of bonded debt and lease obligations are summarized below:

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
2006	\$ 1,600,000	3.625% - 4.25%
2008R	4,905,000	3.4%
2011R	3,835,000	1.0% - 2.3%

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 by the Rockcastle County School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

The District entered into "participation agreements" with the Kentucky School Facility Construction Commission (Commission). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The participation agreements generally provide for the Commission to assist the District in meeting bond obligations and are renewable, at the Commission's option, bi-annually. In 2008, the District also entered into an agreement with the Urgent Needs Trust Fund. The Urgent Needs Trust Fund was established by the 2003 Kentucky General Assembly for the purpose of assisting school districts that have urgent and critical construction needs. The Urgent Needs Trust Fund is administered by the School Facility Construction Commission. Should the Kentucky General Assembly choose to not fund the Commission in the future, the District would be responsible for meeting the full requirements of the bond issues. 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 has reflected the amount due from the Commission over the life of the bonds as a receivable in the Statement of Net Position since there is no reason to believe that the Kentucky General Assembly will not continue to approve continued participation.

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:

See table on next page

**ROCKCASTLE COUNTY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED**  
Year ended June 30, 2013

**6. LONG-TERM OBLIGATIONS-CONTINUED**

Year	Rockcastle County School District		Kentucky School Facility Construction Commission		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013-14	\$ 640,532	\$ 173,357	\$ 139,468	\$ 47,180	\$ 780,000	\$ 220,537
2014-15	641,677	161,393	143,323	42,244	785,000	203,637
2015-16	667,692	147,175	147,308	37,170	815,000	184,345
2016-17	668,459	131,011	156,541	31,834	825,000	162,845
2017-18	664,689	113,935	135,311	26,695	800,000	140,630
2018-19	754,760	86,619	140,240	21,791	895,000	108,410
2019-20	779,639	60,447	145,361	16,708	925,000	77,155
2020-21	877,529	33,473	117,471	12,002	995,000	45,475
2021-22	78,814	16,502	41,186	8,998	120,000	25,500
2022-23	82,024	13,152	42,976	7,248	125,000	20,400
2023-24	80,159	9,666	44,841	5,421	125,000	15,087
2024-25	83,212	6,259	46,788	3,516	130,000	9,775
2025-26	64,065	2,723	35,935	1,527	100,000	4,250
	<u>\$ 6,083,251</u>	<u>\$ 955,712</u>	<u>\$ 1,336,749</u>	<u>\$ 262,334</u>	<u>\$ 7,420,000</u>	<u>\$ 1,218,046</u>

A summary of the changes in long-term liabilities during the fiscal year ended June 30, 2013 is as follows:

School Building Revenue Bonds	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
2006	\$ 1,220,000	\$ -	\$ 70,000	\$ 1,150,000
2008R	4,020,000	-	220,000	3,800,000
2011R	3,155,000	-	685,000	2,470,000
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 8,395,000</u>	<u>\$ -</u>	<u>\$ 975,000</u>	<u>\$ 7,420,000</u>

**7. RETIREMENT PLANS**

Kentucky Teachers' Retirement System

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

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

## **7. RETIREMENT PLANS-CONTINUED**

*Funding policy* – Contribution rates are established by KTRS. Members contribute 10.855% of their salaries to KTRS. Employer's contributions for federally funded employees were 14.105% and employer contributions for non-federally funded employees were 1.0%. The Commonwealth of Kentucky, on behalf of the District's certified employees, is required to contribute a portion of the state retirement (see *On-Behalf Payments*). The federal program for any salaries paid by that program pays the matching contributions.

### Medical Insurance Plan

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

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

*Funding policy* – In order to fund the post-retirement healthcare benefit, active member contributions are matched by the state at .75% of member's gross salaries. Those who became members before July 1, 2008 contribute 1.25% of their salary to the plan. Member contributions are 1.75% of salary for those who became members after July 1, 2008. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan. Additionally, under the Shared Responsibility Plan, the local school district employers pay 1.00% of members' salary for the 2012-2013 fiscal year.

### County Employees Retirement System

Substantially all other employees (full-time classified personnel) are covered under the County Employee's Retirement System (CERS), a cost-sharing, multiple employers, and public employer's retirement system. The plan provides for retirement, disability, and death benefits. Benefits under both plans will vary based on final compensation, years of service and other factors as fully described in the plan documents.

The CERS issues a publicly available financial report which may be obtained by writing to Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601.

*Funding Policy* - Funding for the plan is provided through payroll withholdings and matching District contributions. Effective September 1, 2008, new CERS members are required to pay 6% of their salary, while all other members hired prior to that date continue to pay 5% and a District contribution of 19.55% of the employee's total compensation subject to contribution.

The District's total payroll for the year was \$16,923,850. The payroll for employees covered under KTRS was \$12,973,174 and for CERS was \$4,021,205.

The District's contribution (both withholding and match) KTRS for the years ended June 30, 2013, 2012 and 2011 was \$1,641,861, \$1,565,750, and \$1,493,734, respectively. The District's contributions (both withholding and match) CERS for the years ended June 30, 2013, 2012, and 2011 were \$996,316, \$976,763, and \$817,365, respectively. The District met their contribution requirements.

**ROCKCASTLE COUNTY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED**  
Year ended June 30, 2013

---

**8. LEASES**

The District leases maintenance equipment when needed and office copiers on an annual basis under operating leases. For the year ended June 30, 2013, aggregate cost for equipment and copier rentals was \$43,869.

**9. CONTINGENCIES**

*Grants* - The District receives funding from Federal, State, and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based on the grantor's review the funds are considered not to have been used for the intended purpose, the grantor may request a refund of funds advanced, or refuse to reimburse the District for its disbursements, and the collectability of any related receivables as of June 30, 2013 may be impaired. 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.

*Kentucky School Boards Insurance Trust (KSBIT)*-The Kentucky School Boards Insurance Trust was created in 1978 to provide insurance through nonprofit self-insured pools authorized under Kentucky law. These pools allow school districts, colleges and universities to combine their resources while sharing risks. Due to various economic factors, the Pools have incurred significant deficits. KSBIT has taken a number of steps to address the Pools' deficits: however, the deficits have grown as claims costs have escalated and a substantial number of districts have continued to leave the Pools due to competitive pressures.

The Board of Trustees of KSBIT had claims and reserve reviews undertaken by independent outside firms to confirm the Pools' deficits. As a result of these reviews and after consultation with the Kentucky Department of Insurance, KSBIT will be considering the following actions as part of a corrective action plan required by law.

- An assessment under a fair methodology to be approved by the Kentucky Department of Insurance of current and past participating members to fund the deficit.
- As applicable, a financing option that will give participating districts the choice of paying their portion, if any, of the assessment over a twenty-year period.
- The KSBIT self-insurance Pools will no longer accept new or renewal business after January 2013.
- While these are still viable considerations, on November 7, 2013 the Kentucky Department of Insurance (DOI) filed petitions in Franklin Circuit Court asking that two of the Kentucky School Boards Insurance Trust's self-insured funds be placed in rehabilitation, which means DOI will directly manage the funds.

As of the date of this report, KSBIT has proffered several estimate methodologies over a broad range. Neither methodology has been accepted by the Kentucky Department of Insurance and a reasonable estimate of each districts' liability is not known nor has a payment amount been mandated to the school districts. In addition, the management of the Rockcastle County School District cannot reasonably estimate the outcome of this issue

Based on the current information available, there is a reasonable possibility that the Rockcastle County School District will be required to pay some part of the deficit. However, at this time, no reasonable or acceptable estimate is available; therefore no liability is recorded in the financial statements regarding this issue. The management of the District does believe it will not incur significant adverse effects whatever the disposition of this issue.

**ROCKCASTLE COUNTY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED**  
Year ended June 30, 2013

**10. LITIGATION**

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

**11. IMPLEMENTATION OF GASB STATEMENT NO. 63**

The District has implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, for the year ended June 30, 2013. This standard established guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position.

The noticeable changes to this audit include the use of the new wording, "net position," instead of the previously used wording of "net assets" and resulted in only a formatting change in the current year.

**12. RISK MANAGEMENT**

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. Settled claims resulting from these risks have created a potential liability as discussed in the *Contingencies* disclosure above.

Contributions for Workers' Compensation coverage are based on premium rates established in conjunction with the insurance carrier, subject to claims experience modifications and discounts.

**13. DEFICIT FUND BALANCES**

The District did not have any funds with deficit balances at June 30, 2013. However, there may be funds with deficit operating balances.

**14. 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. There were no instances of noncompliance noted.

**15. TRANSFER OF FUNDS**

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Matching	FSPK Fund	Debt Service	Debt Service	\$ 807,521
Operating	FSPK Fund	General	Operating	267,939
Operating	Capital Outlay	General	Operating	292,457
Operating	Construction	Special Revenue	Operating	41,885

**16. INTERFUND RECEIVABLES AND PAYABLES**

At June 30, 2013, there were no interfund balances outstanding that are reflected in the financial statements.

**ROCKCASTLE COUNTY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED**  
Year ended June 30, 2013

---

**17. ON-BEHALF PAYMENTS**

The Commonwealth of Kentucky pays certain expenses on behalf of the District. These expenses include employee health insurance, the employer match of Kentucky Teachers' Retirement System, certain other employee benefits, specific technology expense and debt service. These amounts are included in the fund financial statements; however, the revenues and related expenditures are not budgeted amounts.

The following payments for fringe benefits are included as revenues and expenses on the statement of activities:

Retirement contributions to the Teachers' Retirement System of Kentucky	\$	1,343,744
Health and Life insurance		3,182,692
Other		180,134
Technology		65,824
Debt Service		404,549
		<u>5,176,943</u>

**18. FUND BALANCE DESIGNATIONS**

The following funds had non-spendable fund balances as follows:

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
Permanent	\$ 25,000	Donor restrictions

The following funds had restricted fund balances as follows:

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
Construction	\$ 1,197,510	Future Construction

**19. SUBSEQUENT EVENTS**

Management of the District has evaluated subsequent events through the date of the audit report. No events have occurred subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60  
61  
62  
63  
64  
65  
66  
67  
68  
69  
70  
71  
72  
73  
74  
75  
76  
77  
78  
79  
80  
81  
82  
83  
84  
85  
86  
87  
88  
89  
90  
91  
92  
93  
94  
95  
96  
97  
98  
99  
100  
101  
102  
103  
104  
105  
106  
107  
108  
109  
110  
111  
112  
113  
114  
115  
116  
117  
118  
119  
120  
121  
122  
123  
124  
125  
126  
127  
128  
129  
130  
131  
132  
133  
134  
135  
136  
137  
138  
139  
140  
141  
142  
143  
144  
145  
146  
147  
148  
149  
150  
151  
152  
153  
154  
155  
156  
157  
158  
159  
160  
161  
162  
163  
164  
165  
166  
167  
168  
169  
170  
171  
172  
173  
174  
175  
176  
177  
178  
179  
180  
181  
182  
183  
184  
185  
186  
187  
188  
189  
190  
191  
192  
193  
194  
195  
196  
197  
198  
199  
200  
201  
202  
203  
204  
205  
206  
207  
208  
209  
210  
211  
212  
213  
214  
215  
216  
217  
218  
219  
220  
221  
222  
223  
224  
225  
226  
227  
228  
229  
230  
231  
232  
233  
234  
235  
236  
237  
238  
239  
240  
241  
242  
243  
244  
245  
246  
247  
248  
249  
250  
251  
252  
253  
254  
255  
256  
257  
258  
259  
260  
261  
262  
263  
264  
265  
266  
267  
268  
269  
270  
271  
272  
273  
274  
275  
276  
277  
278  
279  
280  
281  
282  
283  
284  
285  
286  
287  
288  
289  
290  
291  
292  
293  
294  
295  
296  
297  
298  
299  
300  
301  
302  
303  
304  
305  
306  
307  
308  
309  
310  
311  
312  
313  
314  
315  
316  
317  
318  
319  
320  
321  
322  
323  
324  
325  
326  
327  
328  
329  
330  
331  
332  
333  
334  
335  
336  
337  
338  
339  
340  
341  
342  
343  
344  
345  
346  
347  
348  
349  
350  
351  
352  
353  
354  
355  
356  
357  
358  
359  
360  
361  
362  
363  
364  
365  
366  
367  
368  
369  
370  
371  
372  
373  
374  
375  
376  
377  
378  
379  
380  
381  
382  
383  
384  
385  
386  
387  
388  
389  
390  
391  
392  
393  
394  
395  
396  
397  
398  
399  
400  
401  
402  
403  
404  
405  
406  
407  
408  
409  
410  
411  
412  
413  
414  
415  
416  
417  
418  
419  
420  
421  
422  
423  
424  
425  
426  
427  
428  
429  
430  
431  
432  
433  
434  
435  
436  
437  
438  
439  
440  
441  
442  
443  
444  
445  
446  
447  
448  
449  
450  
451  
452  
453  
454  
455  
456  
457  
458  
459  
460  
461  
462  
463  
464  
465  
466  
467  
468  
469  
470  
471  
472  
473  
474  
475  
476  
477  
478  
479  
480  
481  
482  
483  
484  
485  
486  
487  
488  
489  
490  
491  
492  
493  
494  
495  
496  
497  
498  
499  
500  
501  
502  
503  
504  
505  
506  
507  
508  
509  
510  
511  
512  
513  
514  
515  
516  
517  
518  
519  
520  
521  
522  
523  
524  
525  
526  
527  
528  
529  
530  
531  
532  
533  
534  
535  
536  
537  
538  
539  
540  
541  
542  
543  
544  
545  
546  
547  
548  
549  
550  
551  
552  
553  
554  
555  
556  
557  
558  
559  
560  
561  
562  
563  
564  
565  
566  
567  
568  
569  
570  
571  
572  
573  
574  
575  
576  
577  
578  
579  
580  
581  
582  
583  
584  
585  
586  
587  
588  
589  
590  
591  
592  
593  
594  
595  
596  
597  
598  
599  
600  
601  
602  
603  
604  
605  
606  
607  
608  
609  
610  
611  
612  
613  
614  
615  
616  
617  
618  
619  
620  
621  
622  
623  
624  
625  
626  
627  
628  
629  
630  
631  
632  
633  
634  
635  
636  
637  
638  
639  
640  
641  
642  
643  
644  
645  
646  
647  
648  
649  
650  
651  
652  
653  
654  
655  
656  
657  
658  
659  
660  
661  
662  
663  
664  
665  
666  
667  
668  
669  
670  
671  
672  
673  
674  
675  
676  
677  
678  
679  
680  
681  
682  
683  
684  
685  
686  
687  
688  
689  
690  
691  
692  
693  
694  
695  
696  
697  
698  
699  
700  
701  
702  
703  
704  
705  
706  
707  
708  
709  
710  
711  
712  
713  
714  
715  
716  
717  
718  
719  
720  
721  
722  
723  
724  
725  
726  
727  
728  
729  
730  
731  
732  
733  
734  
735  
736  
737  
738  
739  
740  
741  
742  
743  
744  
745  
746  
747  
748  
749  
750  
751  
752  
753  
754  
755  
756  
757  
758  
759  
760  
761  
762  
763  
764  
765  
766  
767  
768  
769  
770  
771  
772  
773  
774  
775  
776  
777  
778  
779  
780  
781  
782  
783  
784  
785  
786  
787  
788  
789  
790  
791  
792  
793  
794  
795  
796  
797  
798  
799  
800  
801  
802  
803  
804  
805  
806  
807  
808  
809  
810  
811  
812  
813  
814  
815  
816  
817  
818  
819  
820  
821  
822  
823  
824  
825  
826  
827  
828  
829  
830  
831  
832  
833  
834  
835  
836  
837  
838  
839  
840  
841  
842  
843  
844  
845  
846  
847  
848  
849  
850  
851  
852  
853  
854  
855  
856  
857  
858  
859  
860  
861  
862  
863  
864  
865  
866  
867  
868  
869  
870  
871  
872  
873  
874  
875  
876  
877  
878  
879  
880  
881  
882  
883  
884  
885  
886  
887  
888  
889  
890  
891  
892  
893  
894  
895  
896  
897  
898  
899  
900  
901  
902  
903  
904  
905  
906  
907  
908  
909  
910  
911  
912  
913  
914  
915  
916  
917  
918  
919  
920  
921  
922  
923  
924  
925  
926  
927  
928  
929  
930  
931  
932  
933  
934  
935  
936  
937  
938  
939  
940  
941  
942  
943  
944  
945  
946  
947  
948  
949  
950  
951  
952  
953  
954  
955  
956  
957  
958  
959  
960  
961  
962  
963  
964  
965  
966  
967  
968  
969  
970  
971  
972  
973  
974  
975  
976  
977  
978  
979  
980  
981  
982  
983  
984  
985  
986  
987  
988  
989  
990  
991  
992  
993  
994  
995  
996  
997  
998  
999  
1000

**ROCKCASTLE COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
Year ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
From local sources				
Taxes:				
Property	\$ 1,468,000	\$ 1,468,000	\$ 1,528,744	\$ 60,744
Motor vehicle	285,000	285,000	383,678	98,678
Utility	725,000	725,000	840,311	115,311
Earnings on investments	100,000	100,000	104,617	4,617
Other local	136,000	136,000	93,592	(42,408)
Intergovernmental - State	14,426,610	14,426,610	19,038,534	4,611,924
Intergovernmental - Federal	60,000	60,000	140,602	80,602
Total revenues	<u>17,200,610</u>	<u>17,200,610</u>	<u>22,130,078</u>	<u>4,929,468</u> *
<b>Expenditures</b>				
Current:				
Instruction	11,865,940	11,865,940	14,032,779	(2,166,839)
Student	1,106,899	1,106,899	1,097,900	8,999
Instructional staff	595,648	595,648	1,375,469	(779,821)
District administration	647,701	647,701	569,013	78,688
School administration	987,840	987,840	1,226,287	(238,447)
Business operations	207,265	207,265	255,978	(48,713)
Plant operations and maintenance	2,189,830	2,189,830	2,288,804	(98,974)
Student transportation	2,065,975	2,065,975	2,118,160	(52,185)
Contingency	1,795,934	1,795,934	-	1,795,934
Total expenditures	<u>21,463,032</u>	<u>21,463,032</u>	<u>22,964,390</u>	<u>(1,501,358)</u> *
Excess (deficit) of revenues over (under) expenditures	(4,262,422)	(4,262,422)	(834,312)	3,428,110
<b>Other financing sources (uses)</b>				
Sale or comp for loss of asset	7,500	7,500	15,580	8,080
Transfers in	-	-	560,396	560,396
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>7,500</u>	<u>7,500</u>	<u>575,976</u>	<u>568,476</u>
<b>Net change in fund balance</b>	<b>(4,254,922)</b>	<b>(4,254,922)</b>	<b>(258,336)</b>	<b>3,996,586</b>
Fund balance as of June 30, 2012	4,254,922	4,254,922	4,254,922	-
<b>Fund balance as of June 30, 2013</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,996,586</b>	<b>\$ 3,996,586</b>

\* For the year ended June 30, 2013, actual revenues and expenditures exceeded appropriations in various categories primarily due to on-behalf payments made by the Commonwealth of Kentucky for the Rockcastle County School District. These amounts are included in the actual revenues and expenditures, but are not included in the budgeted amounts.

**ROCKCASTLE COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - SPECIAL REVENUE FUND**  
Year ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
From local sources:				
Other local	\$ 67,000	\$ 67,000	\$ 24,911	\$ (42,089)
Earnings on Investments	-	-	1,636	1,636
Intergovernmental - State	872,709	872,709	980,108	107,399
Intergovernmental - Federal	2,668,539	2,668,539	2,627,599	(40,940)
Total revenues	<u>3,608,248</u>	<u>3,608,248</u>	<u>3,634,254</u>	<u>26,005</u>
<b>Expenditures</b>				
Current:				
Instruction	2,523,791	2,523,791	2,711,810	(188,019)
Student support	165,256	165,256	82,108	83,148
Instructional support	351,670	351,670	314,690	36,980
Student transportation	260,146	260,146	260,146	-
Community service	307,385	307,385	307,385	-
Total expenditures	<u>3,608,248</u>	<u>3,608,248</u>	<u>3,676,139</u>	<u>(67,890)</u>
Deficit of revenues under expenditures	-	-	(41,885)	(41,885)
<b>Other financing sources</b>				
Operating transfers in	-	-	41,885	41,885
Total other financing sources	-	-	41,885	41,885
<b>Net change in fund balance</b>	-	-	-	-
Fund balance as of June 30, 2012	-	-	-	-
<b>Fund balance as of June 30, 2013</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

**ROCKCASTLE COUNTY SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGET AND ACTUAL - GENERAL FUND**  
Year ended June 30, 2013

---

Because of the nature of certain transactions allocated to the general fund, specific revenue, expenditures, and other financing sources and uses were not budgeted in the General Fund by the District during the year ending June 30, 2013. A schedule of non-budgeted transactions is presented below.

**Non-budgeted revenues**

Intergovernmental state revenue - on-behalf payments	<u>\$ 4,606,639</u>
------------------------------------------------------	---------------------

**Non- budgeted expenditures**

**On-behalf expenditures**

Instruction	\$ 3,257,128
Student	18,252
Instructional staff support	531,313
District administration	46,477
School administration	252,747
Business support services	34,044
Plant operations and maintenance	177,119
Student transportation	<u>289,559</u>

<b>Total non-budgeted on-behalf expenditures</b>	<u>\$ 4,606,639</u>
--------------------------------------------------	---------------------

The District's budgetary process accounts for transactions on the modified accrual basis of accounting which is consistent with accounting principles generally accepted in the United States of America. In accordance with state law, the District prepares a general school budget based upon the amount of revenue to be raised by local taxation, including the rate of levy, and from estimates of other Local, State, and Federal revenues. The budget contains estimated expenditures for current expenses, debt service, capital outlay, and other necessary expenses. The budget must be approved by the Board. The District must formally and publicly examine estimated revenues and expenses for the subsequent fiscal year by January 31 of each calendar year. Additionally, the District must submit a certified budget to the Kentucky Department of Education by March 15 of each calendar year, which includes the amount for certified and classified staff, based on the District's staffing policy, and the amount for the instructional supplies, materials, travel and equipment. Additionally, the District must adopt a tentative working budget for the subsequent fiscal year by May 30 of each calendar year. The budget must contain a 2% reserve but not greater than 10%. Finally, the District must adopt a final working budget and submit it to the Kentucky Department of Education by September 30 of each calendar year. The Board has the ability to amend the working budget. The working budget was amended during the year.

ROCKCASTLE COUNTY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS  
 June 30, 2013

	SEEK Capital Outlay Fund	Facility Support Program (FSPK) Fund	Debt Service Fund	Permanent Fund	Total Non-major Governmental Funds
<b>ASSETS</b>					
Investments	\$ -	\$ -	\$ -	\$ 25,000	\$ 25,000
<b>Total assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 25,000</b>	<b>\$ 25,000</b>
<b>FUND BALANCES</b>					
Fund Balances:					
Restricted			-	-	-
Nonspendable	\$ -	\$ -	\$ -	\$ 25,000	\$ 25,000
<b>Total fund balances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 25,000</b>	<b>\$ 25,000</b>

ROCKCASTLE COUNTY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS  
 Year ended June 30, 2013

	SEEK Capital Outlay Fund	Facility Support Program (FSPK) Fund	Debt Service Fund	Permanent Fund	Total Non-major Governmental Funds
<b>Revenues</b>					
From local sources:					
Taxes:					
Property	\$ -	\$ 255,246	\$ -	\$ -	\$ 255,246
Earnings on investments	-	-	-	-	-
Intergovernmental - State	261,774	693,684	404,549	-	1,360,007
Intergovernmental - Federal	-	-	-	-	-
<b>Total revenues</b>	<b>261,774</b>	<b>948,930</b>	<b>404,549</b>	<b>-</b>	<b>1,615,253</b>
<b>Expenditures</b>					
District administrative support	22,052	-	-	-	22,052
Debt service	-	-	1,212,070	-	1,212,070
<b>Total expenditures</b>	<b>22,052</b>	<b>-</b>	<b>1,212,070</b>	<b>-</b>	<b>1,234,122</b>
<b>Other financing sources (uses)</b>					
Bond principal proceeds	-	-	-	-	-
Transfers in	-	-	807,521	-	807,521
Transfers out	(292,457)	(1,075,460)	-	-	(1,367,917)
<b>Total other financing sources (uses)</b>	<b>(292,457)</b>	<b>(1,075,460)</b>	<b>807,521</b>	<b>-</b>	<b>(560,396)</b>
<b>Net change in fund balance</b>	<b>(52,735)</b>	<b>(126,530)</b>	<b>-</b>	<b>-</b>	<b>(179,265)</b>
Fund balance as of June 30, 2012	52,735	126,530	-	25,000	204,265
<b>Fund balance as of June 30, 2013</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 25,000</b>	<b>\$ 25,000</b>

**ROCKCASTLE COUNTY SCHOOL DISTRICT**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES - ELEMENTARY AND MIDDLE SCHOOL ACTIVITY FUNDS**  
 Year Ended June 30, 2013

School/ Activity Fund	Cash and Equivalents June 30, 2012	Receipts	Disbursements	Cash and Cash Equivalents June 30, 2013	Accounts Receivable June 30, 2013	Accounts Payable June 30, 2013	Fund Balances June 30, 2013
Rockcastle County Middle School	\$ 69,918	\$ 172,735	\$ 178,328	\$ 64,325	\$ 1,731	\$ 276	\$ 65,780
Broadhead Elementary	14,306	39,631	30,885	23,052	-	-	23,052
Mt. Vernon Elementary	56,876	81,413	88,272	50,017	-	-	50,017
Roundstone Elementary	10,240	24,757	24,916	10,081	-	-	10,081
<b>Totals</b>	<b>\$ 151,340</b>	<b>\$ 318,536</b>	<b>\$ 322,401</b>	<b>\$ 147,475</b>	<b>\$ 1,731</b>	<b>\$ 276</b>	<b>\$ 148,930</b>

ROCKCASTLE COUNTY SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 ROCKCASTLE COUNTY HIGH SCHOOL ACTIVITY FUND  
 Year ended June 30, 2013

	Fund Balances		Receipts	Disbursements	Transfers		Cash and Cash Equivalents		Accounts Receivable		Accounts Payable		Fund Balances June 30, 2013
	June 30, 2012	June 30, 2013			in	Out	June 30, 2013	June 30, 2013	June 30, 2013	June 30, 2013			
General	\$ 20,262	\$ 14,112	\$ 20,224	\$ 4,073	\$ -	\$ 18,224	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,224	
Youth Services Center	3,224	1,150	999	304	-	3,679	-	-	-	-	-	3,679	
UNITE	472	1,104	1,016	-	-	560	-	-	-	-	-	560	
Game Club	1	-	-	-	-	1	-	-	-	-	-	1	
PRIDE	796	-	-	-	796	0	-	-	-	-	-	0	
Fellowship of Christian Athletes	286	1,832	1,849	-	-	269	-	-	-	-	-	269	
Special Goods	110	-	-	-	-	110	-	-	-	-	-	110	
Drivers Education	268	-	-	-	268	-	-	-	-	-	-	-	
JROTC	4,802	10,584	12,545	-	50	2,791	-	-	-	-	-	2,791	
RCHS Academic	428	2,391	2,239	768	-	1,348	-	-	-	-	-	1,348	
Japanese Club	382	190	568	-	-	4	-	-	-	-	-	4	
Creative Writing	58	-	-	-	-	58	-	-	-	-	-	58	
STLP	77	-	-	-	-	77	-	-	-	-	-	77	
World - AP	-	2,597	2,095	-	-	502	-	-	-	-	-	502	
Rocket Club	367	320	-	-	50	637	-	-	-	-	-	637	
Young Republicans	232	248	432	-	-	49	-	-	-	-	-	49	
Young Democrats	141	-	78	-	-	63	-	-	-	-	-	63	
National Honor Society	-	345	287	-	-	1,401	-	-	-	-	-	1,401	
Beta Club	1,343	-	-	-	1,343	0	-	-	-	-	-	0	
Spanish National Honor Society	242	-	-	-	242	-	-	-	-	-	-	-	
Film Appreciation Club	322	-	-	-	-	322	-	-	-	-	-	322	
Key Club	10,034	1,213	5,817	-	859	4,571	-	-	-	-	-	4,571	
Math Club	127	195	136	-	-	186	-	-	-	-	-	186	
Y-Club	-	12,793	12,892	100	-	0	-	-	-	-	-	0	
Band	1,525	37,065	36,847	200	-	1,943	-	-	-	-	-	1,943	
Student Council	340	180	111	-	-	409	-	-	-	-	-	409	
School Climate	-	597	-	-	-	597	-	-	-	-	-	597	
Concessions	-	15,782	10,895	-	4,886	-	-	-	-	-	-	-	
Faculty Vending	267	1,425	2,547	855	-	0	-	-	-	-	-	0	
AP Exams	735	2,647	2,663	-	-	719	-	-	-	-	-	719	
Language AP	-	3,000	525	-	-	2,475	-	-	-	-	-	2,475	
Chemistry AP	502	-	-	-	-	502	-	-	-	-	-	502	
Physical Education	238	741	782	-	-	197	-	-	-	-	-	197	
History-Social Studies	2,000	20	1,020	-	-	1,000	-	-	-	-	-	1,000	
Athletics	113,216	48,689	12,245	-	40,415	109,245	-	-	-	-	-	109,245	
BB-District-2012	-	15,299	7,337	-	-	7,962	-	-	-	-	-	7,962	
Archery	-	250	1,200	1,025	-	75	-	-	-	-	-	75	
Bass Fishing	-	2,653	5,497	3,580	-	736	-	-	-	-	-	736	
Boys Basketball	-	-	5,735	5,735	-	-	-	-	-	-	-	-	
Tip-off / Boys Basketball	-	-	11,212	11,212	-	2,717	-	-	-	-	-	2,717	
Girls Basketball	3,079	10,850	6,308	6,308	-	-	-	-	-	-	-	-	
Lady Rockets	16,169	24,638	29,243	-	-	11,564	-	-	-	-	-	11,564	

**ROCKCASTLE COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**ROCKCASTLE COUNTY HIGH SCHOOL ACTIVITY FUND -CONTINUED**  
 Year ended June 30, 2013

	Fund Balances June 30, 2012	Receipts	Disbursements	Transfers in	Transfers Out	Cash and Cash Equivalents June 30, 2013	Accounts Receivable June 30, 2013	Accounts Payable June 30, 2013	Fund Balances June 30, 2013
Baseball	-	-	5,677	5,677	-	-	-	-	-
Dugout-RCHS-Baseball	757	10,256	9,095	1,050	-	868	-	-	868
Football	-	-	7,131	7,131	-	-	-	-	-
Softball	-	-	3,808	3,808	-	-	-	-	-
Softball Boosters	-	16,559	13,260	-	-	3,300	-	-	3,300
Girls Golf Boosters	3,239	1,930	3,262	250	-	2,157	-	-	2,157
Girls Golf	-	250	1,195	945	-	-	-	-	-
Boys Golf	-	-	1,380	1,380	-	-	-	-	-
Boys Golf Boosters	626	1,759	561	24	-	1,848	-	-	1,848
Ky Blue Golf	24	-	-	-	24	0	-	-	0
Track-Boys	-	-	-	998	-	-	-	-	-
Track-Girls	-	-	2,047	2,047	-	-	-	-	-
Cross Country-Girls	-	-	693	693	-	-	-	-	-
Cross Country-Boys	-	186	653	467	-	-	-	-	-
Volleyball Boosters	3,156	16,729	15,691	-	-	4,194	-	-	4,194
Volleyball	-	-	3,202	3,202	-	-	-	-	-
BASS Fishing	-	3,225	120	-	3,105	-	-	-	-
SWIM	-	1,650	1,543	-	108	-	-	-	-
Swim-Rockets	204	1,750	2,733	1,285	-	506	-	-	506
FFA	1,471	40,177	38,732	-	67	2,849	-	-	2,849
KY River Region FFA	73	3,411	3,275	983	-	1,192	-	-	1,192
FCCLA	737	33,553	7,313	385	-	27,362	-	-	27,362
Brisiro Café	-	59	-	45	-	104	-	-	104
Cheerleaders	3,040	10,169	11,126	-	-	2,083	-	-	2,083
Agriculture	8,306	1,843	195	-	1,651	8,303	-	-	8,303
AGR-Construction	2,656	120	2,378	-	-	398	-	-	398
Young Farmers	10,114	4,150	2,509	-	-	11,755	-	-	11,755
Art Boosters	-	88	38	-	46	4	-	-	4
Chorus	-	10,175	9,688	-	280	208	-	-	208
Prom	2,321	6,198	6,953	225	-	1,791	-	-	1,791
Yearbook	13,538	20,478	18,841	717	-	15,891	-	-	15,891
Euro	60	-	-	60	-	-	-	-	-
International Club	-	55	-	302	-	357	-	-	357
Emeric Sch. Interest	378	623	1,000	-	-	1	-	-	1
The Rocket Red Glare	408	106	256	-	-	258	-	-	258
Project Graduation 2011	1,307	84,137	84,394	400	-	1,450	-	-	1,450
UK-Readers Grant	1,329	-	1,273	-	-	56	-	-	56
Library	579	1,478	1,428	-	-	629	-	-	629
Tech Student Association	22	317	327	46	-	59	-	-	59
Wellness-Health	-	500	-	-	-	500	-	-	500
<b>Total accounts</b>	<b>\$ 236,390</b>	<b>\$ 484,841</b>	<b>\$ 458,117</b>	<b>\$ 55,299</b>	<b>\$ 55,299</b>	<b>\$ 263,114</b>	<b>\$</b>	<b>\$</b>	<b>\$ 263,114</b>

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

ROCKCASTLE COUNTY SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 Year ended June 30, 2013

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
US Department of Agriculture			
Passed Through State Department of Education:			
<i>Child Nutrition Cluster</i>			
School Breakfast Program	10.553		
Fiscal Year 13		7760005-13	\$ 202,793
Fiscal Year 12		7760005-12	50,813
National School Lunch Program	10.555		
Fiscal Year 13		7750002-13	662,346
Fiscal Year 12		7750002-12	172,292
Summer Food Service Program for Children	10.559		
Fiscal Year 13		7740023-13	453
Fiscal Year 12		7740023-12	47
Summer Food Service Program for Children	10.559		
Fiscal Year 13		7690024-13	453
Fiscal Year 12		7690024-12	4,373
<i>Child Nutrition Cluster Total</i>			<u>1,093,570</u>
Passed Through State Department of Agriculture			
National School Lunch Program	10.555		
Fiscal Year 13		510-4950	110,251
			<u>110,251</u>
Total US Department of Agriculture			<u>\$ 1,203,821</u>
US Department of Commerce			
Passed Through Lake Cumberland ADD			
Congressionally Identified Awards and Projects	11.469		
Fiscal Year 13M		EF09-74-13	\$ 250
Total US Department of Commerce			<u>\$ 250</u>
US Department of Defense			
Passed directly from the US Treasury			
Junior Reserve Officers' Training Corps	12.000		
Fiscal Year 13		5043	\$ 67,934
Total US Department of Defense			<u>\$ 67,934</u>
US Department of Labor			
Passed Through Lake Cumberland ADD			
Workforce Investment Act	17.259		
Fiscal Year 10A	46	5880	\$ 5,090
Fiscal Year 13A		5883	38,133
Total US Department of Labor			<u>\$ 43,223</u>
US Department of Education			
Passed Through State Department of Education			
<i>Title I, Part A Cluster</i>			
Title I Grants to Local Educational Agencies	84.010		
Fiscal Year 13		3100002-13	\$ 761,233
Fiscal Year 13M		3100002-13	12,304
Fiscal Year 12		3100002-12	552,049
Fiscal Year 12M		3100002-12	5,223
			<u>1,330,809</u>
Title I, Part A Cluster Total			<u>1,330,809</u>

ROCKCASTLE COUNTY SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED  
 Year ended June 30, 2013

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
<i>Special Education Cluster</i>			
Special Education_ Grants to States Fiscal Year 13	84.027	3810002-13	573,440
			<u>573,440</u>
Special Education_Preschool Grants Fiscal Year 13	84.173	3800002-13	29,046
			<u>29,046</u>
<i>Special Education Cluster Total</i>			<u>602,486</u>
<i>Career and Technical Education - Basic Grants to States</i>			
Fiscal Year 13	84.048	4621232-13	17,568
Fiscal Year 12		4621232-12	2,298
			<u>19,866</u>
Improving Teacher Quality State Grants Fiscal Year 13	84.367	71012.02.Z	203,768
			<u>203,768</u>
<i>Education Technology State Grants Cluster</i>			
Education Technology State Grants Fiscal Year 10	84.318X	73610.02.Z	462
Fiscal Year 11			4,031
			<u>4,493</u>
<i>Education Technology State Grants Cluster Total</i>			<u>4,493</u>
<i>Rural Education</i>			
Fiscal Year 13	84.358B	3140002-13	40,487
			<u>40,487</u>
Education Jobs Fund Fiscal Year 11	84.410	4411	31,963
			<u>31,963</u>
Race to the Top-District Grants Fiscal Year 11	84.416	4521	2,240
			<u>2,240</u>
Adult Education-Basic Grants to States Fiscal Year 13S	84.002	33-540-3733S	733
Fiscal Year 13		33-540-3733	5,284
			<u>6,017</u>
<i>Passed through Berea College</i>			
Gaining Early Awareness and Readiness for Undergraduate Programs Fiscal Year 09G	84.334A	33-540-3799G	255,115
Fiscal Year 10G		33-540-3790G	412
Fiscal Year 11G		33-540-3791G	14,862
Fiscal Year 12G		33-540-3792G	3,674
			<u>274,062</u>
Total for US Department of Education			<u>\$ 2,516,191</u>
<b>Total Expenditure of Federal Awards</b>			<b><u>\$ 3,831,419</u></b>

**ROCKCASTLE COUNTY SCHOOL DISTRICT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year ended June 30, 2013

---

**1. BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the Rockcastle County School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**2. IN-KIND COMMODITIES**

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. The District no longer maintains a separate commodities inventory due to changes in program regulations. Commodities are included under the Child Nutrition Cluster. The valued amount of commodities received for June 30, 2013 is \$110,251.

**3. CLUSTER PROGRAMS**

The following CFDA numbers are considered cluster programs:

Special Education Cluster	
Special Education Grants to States	84.027
Special Education – Preschool Grants	84.173
Special Education – Grants to State, Recovery Act	84.391
Special Education – Preschool Grants, Recovery Act	84.392
Child Nutrition Cluster	
National School Lunch Program	10.555
National School Breakfast Program	10.553
Summer Food Services for Children	10.559
Title I Cluster	
Title I Grants to Local Educational Agencies	84.010
Title I Grants to Local Educational Agencies, Recovery Act	84.389

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

Independent Auditor's Report

Kentucky State Committee for  
School District Audits  
Members of the Board of Education  
Rockcastle County School District  
Mt. Vernon, Kentucky

We have audited, in accordance with the 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 the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Appendix I to the Independent Auditor's Contract-General Audit Requirements* and *Appendix II to the Independent Auditor's Contract-State Audit Requirements*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Rockcastle County School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Rockcastle County School District's basic financial statements, and have issued our report thereon dated November 11, 2013.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Rockcastle County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our test disclosed no instances of material noncompliance of specific state statutes or regulations identified in *Appendix II of the Independent Auditor's Contract-State Audit Requirements*.

**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.

*Cloyd & Associates, PSC*

Cloyd & Associates, PSC  
London, Kentucky  
November 11, 2013

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE;  
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL  
AWARDS REQUIRED BY OMB CIRCULAR A-133**

Independent Auditor's Report

Kentucky State Committee for  
School District Audits  
Members of the Board of Education  
Rockcastle County School District  
Mt. Vernon, Kentucky

**Report on Compliance for Each Major Federal Program**

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

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal Program***

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

### **Report on Internal Control over Compliance**

Management of Rockcastle 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 Rockcastle County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Rockcastle County School District's internal control over compliance.

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

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

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

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

We have audited the financial statements of the Rockcastle County School District, as of and for the year ended June 30, 2013, and have issued our report thereon dated November 11, 2013, which contained unmodified opinions 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 the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is 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 expenditures of federal awards is fairly stated in all material aspects in relation to the basic financial statements as a whole.

*Cloyd & Associates, PSC*

Cloyd & Associates, PSC  
London, Kentucky  
November 11, 2013

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**ROCKCASTLE COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
 Year ended June 30, 2013

---

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditors' report issued		Unmodified	
Internal control over financial reporting:			
Material weakness identified	_____	Yes	<input checked="" type="checkbox"/> No
Significant deficiencies identified that are not considered to be material weaknesses	_____	Yes	<input checked="" type="checkbox"/> None reported
Noncompliance material to financial statement notes	_____	Yes	<input checked="" type="checkbox"/> No

**Federal Awards**

Internal control over major programs:			
Material weaknesses identified	_____	Yes	<input checked="" type="checkbox"/> No
Significant deficiencies identified that are not considered to be material weaknesses	_____	Yes	<input checked="" type="checkbox"/> None reported
Type of auditors' report issued on compliance for major programs		Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	_____	Yes	<input checked="" type="checkbox"/> No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Special Education Cluster	
Special Education – Grants to States	84.027
Special Education – Preschool Grants	84.173
Special Education – Grants to States, Recovery Act	84.391
Special Education – Preschool Grants, Recovery Act	84.392
Child Nutrition Cluster	
National School Lunch Program	10.555
National School Breakfast Program	10.553
Summer Food Service Program for Children	10.559

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

Auditee qualified as low risk  Yes \_\_\_\_\_ No

(continued)

**ROCKCASTLE COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED**  
Year ended June 30, 2013

---

**Section II – Financial Statement Findings**

None

**Section III – Federal Award Findings**

None

**ROCKCASTLE COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
Year ended June 30, 2013

---

**Status of Prior Year Findings**

There were no prior year audit findings

**MANAGEMENT LETTER COMMENTS**

Members of the Board of Education  
Rockcastle County School District  
Mt. Vernon, Kentucky

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

During our audit we note matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters, if any. This letter does not affect our report thereon dated November 11, 2013, on the basic financial statements of Rockcastle County School District.

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

Respectfully,

*Cloyd & Associates, PSC*

Cloyd & Associates, PSC  
London, Kentucky  
November 11, 2013

**Prior Year Comments – School Activity Funds**

1. At one school (Rockcastle High School) there was a lack of sufficient documentation with receipts.  
*This deficiency appears to have been corrected in the current year.*
2. At four schools (Rockcastle County High School, Rockcastle County Middle School, Roundstone Elementary, and Brodhead Elementary) purchase orders are not being utilized correctly. There were several instances of the Purchase orders being approved after the obligation of funds or purchase being made.  
*This deficiency appears to have not been corrected in the current year at any of the schools listed above.*
3. At four schools (Rockcastle County High School, Rockcastle County Middle School, Brodhead Elementary, and Roundstone Elementary), there were several instances where bank deposits were not made timely.  
*This deficiency appears to have been corrected in the current year at Rockcastle County Middle School, Brodhead Elementary, and Roundstone Elementary, and Rockcastle County High School.*
4. At one school (Rockcastle County High School) there was a lack of Ticket Control Worksheets documented for events requiring the sale of tickets.  
*This deficiency of lack of Ticket Control Worksheets appears to have been corrected in the current year, however, the forms are not being utilized properly (see current year write-up below).*
5. At two schools (Rockcastle County High School and Brodhead Elementary) there were several instances of the purchase order not being signed by the principal and/or the signature was not that of the principal on the purchase order.  
*This deficiency was not corrected in the current year at either school.*
6. At one school (Brodhead Elementary) there was a lack of documentation of multiple receipt forms with deposit documentation.  
*This deficiency appears to have been corrected in the current year.*

**Current Year Comments –School Activity Funds**

During testing of school activity funds, we noted the following general deficiencies in internal control. The individual schools where these issues were noted are listed:

**Roundstone Elementary**

1. Bank statements must be examined and initialed by Principal. Not all bank statements had principal's initials.

*Management response: The Principal will initial the bank statement after a complete review. The District will follow up with Bookkeeper/Principal.*

## **Current Year Comments –School Activity Funds (continued)**

### **Roundstone Elementary (continued)**

2. Expenditures using activity fund monies should be only used for the benefit of the students. It appears that expenditures were made that did not provide a direct benefit to the students. All expenditure guidelines prescribed in the Redbook must be followed.

*Management response: Expenditures using activity fund monies will be only used for the benefit of the students. The District will follow up with bookkeepers to insure the expenditure guidelines prescribed in the Redbook are being followed and provide training where necessary.*

3. Purchase orders were not noted for all purchases or were improperly executed. The Redbook states that "to initiate a purchase, a purchase order (Form F-SA-7) shall be prepared and approved by the sponsor and principal; before payment is obligated." Instances of purchase orders dated after invoices were noted.

*Management response: The person requesting to make a purchase or expend activity funds will prepare a Purchase Request/Order and have it approved by the sponsor and principal. After proper approval, a Purchase Order number shall be issued or an (EPES) Purchase Order generated so the expenditure can be purchased or ordered. The approved Purchase Order shall then be notated by the vendor on the invoice of goods or services. The District will follow up with bookkeepers to insure the guidelines prescribed in the Redbook are being followed and provide training where necessary.*

### **Rockcastle Middle School**

4. Multiple Receipt Forms were not used or not properly completed. The Redbook states "Teachers/sponsors/students shall use the Multiple Receipt Form (Form F-SA-6) or pre-numbered receipts when collecting money." Students shall sign the multiple receipt form when turning in money to teacher/sponsor.

*Management response: Each day that money is collected from students, the teacher/sponsor will insure that the Multiple Receipt Form is properly completed, signed and dated by the student when the transfer of cash occurs from the student to the teacher/sponsor. This document along with the money will be turned in to the school activity fund treasurer daily who will sign and date the form appropriately. The District will follow up with bookkeepers to insure the guidelines prescribed in the Redbook are being followed and provide training where necessary.*

5. Purchase orders were not noted for all purchases or were improperly executed. The Redbook states that "to initiate a purchase, a purchase order (Form F-SA-7) shall be prepared and approved by the sponsor and principal; before payment is obligated." Instances of purchase orders not being utilized were noted.

*Management response: The person requesting to make a purchase or expend activity funds will prepare a Purchase Request/Order and have it approved by the sponsor and principal. After proper approval, a Purchase Order number shall be issued or an (EPES) Purchase Order generated so the expenditure can be purchased or ordered. The approved Purchase Order shall then be notated by the vendor on the invoice of goods or services. The District will follow up with bookkeepers to insure the guidelines prescribed in the Redbook are being followed and provide training where necessary.*

### **Brodhead Elementary**

6. Expenditures using activity fund monies should be only used for the benefit of the students. It appears that expenditures were made that did not provide a direct benefit to the students. All expenditure guidelines prescribed in the Redbook must be followed.

*Management response: Expenditures using activity fund monies will be only used for the benefit of the students. The District will follow up with bookkeepers to insure the expenditure guidelines prescribed in the Redbook are being followed and provide training where necessary.*

## Current Year Comments –School Activity Funds (continued)

### Brodhead Elementary (continued)

7. Purchase orders were not noted for all purchases or were improperly executed. The Redbook states that "to initiate a purchase, a purchase order (Form F-SA-7) shall be prepared and approved by the sponsor and principal; before payment is obligated." Instances of purchase orders dated after invoices were noted.

*Management response: The person requesting to make a purchase or expend activity funds will prepare a Purchase Request/Order and have it approved by the sponsor and principal. After proper approval, a Purchase Order number shall be issued or an (EPES) Purchase Order generated so the expenditure can be purchased or ordered. The approved Purchase Order shall then be notated by the vendor on the invoice of goods or services. The District will follow up with bookkeepers to insure the guidelines prescribed in the Redbook are being followed and provide training where necessary.*

### Mt. Vernon Elementary

8. Expenditures using activity fund monies should be only used for the benefit of the students. It appears that expenditures were made that did not provide a direct benefit to the students. All expenditure guidelines prescribed in the Redbook must be followed.

*Management response: Expenditures using activity fund monies will be only used for the benefit of the students. The District will follow up with bookkeepers to insure the expenditure guidelines prescribed in the Redbook are being followed and provide training where necessary.*

### Rockcastle County High School

9. Ticket requisitions were not properly completed. The Redbook states "The principal or school treasurer shall issue tickets to the person in charge of sales for each event using the Requisition and Report of Ticket Sales (Forms F-SA-1). The person in charge determines the number of tickets to be used, records the beginning ticket number, and signs the form. Ticket procedures and forms instructions must be followed to ensure monies reconcile at end of event.

*Management response: The principal or school treasurer will insure that ticket procedures and forms instructions are followed so that monies reconcile at the end of the event. The principal or school treasurer will issue tickets to the person in charge of sales for each event using the Requisition and Report of Ticket Sales. The person in charge will get the number of tickets to be used, record the beginning ticket number, and sign the form. The District will follow up with bookkeepers to insure the guidelines prescribed in the Redbook are being followed and provide training where necessary.*

10. Multiple Receipt Forms were not used or not properly completed. The Redbook states "Teachers/sponsors/students shall use the Multiple Receipt Form (Form F-SA-6) or pre-numbered receipts when collecting money." Students shall sign the multiple receipt form when turning in money to teacher/sponsor.

*Management response: Each day that money is collected from students, the teacher/sponsor will insure that the Multiple Receipt Form is properly completed, signed and dated by the student when the transfer of cash occurs from the student to the teacher/sponsor. This document along with the money will be turned in to the school activity fund treasurer daily who will sign and date the form appropriately. The District will follow up with bookkeepers to insure the guidelines prescribed in the Redbook are being followed and provide training where necessary.*

**Current Year Comments –School Activity Funds (continued)**

**Rockcastle County High School (continued)**

11. Purchase orders were not noted for all purchases or were improperly executed. The Redbook states that "to initiate a purchase, a purchase order (Form F-SA-7) shall be prepared and approved by the sponsor and principal; before payment is obligated." Instances of missing purchase orders were noted.

*Management response: The person requesting to make a purchase or expend activity funds will prepare a Purchase Request/Order and have it approved by the sponsor and principal. After proper approval, a Purchase Order number shall be issued or an (EPES) Purchase Order generated so the expenditure can be purchased or ordered. Copies of all purchase orders will be kept on file with one copy being sent to person requesting the purchase and one copy being sent to vendor. The approved Purchase Order shall then be notated by the vendor on the invoice of goods or services and provide training where necessary. The District will follow up with bookkeepers to insure the guidelines prescribed in the Redbook are being followed and provide training where necessary.*