

**SCOTT COUNTY SCHOOL DISTRICT**  
**BASIC FINANCIAL STATEMENTS,**  
**SUPPLEMENTARY INFORMATION,**  
**AND INDEPENDENT AUDITOR'S REPORTS**

Year Ended June 30, 2013

SCOTT COUNTY SCHOOL DISTRICT

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## **INDEPENDENT AUDITOR'S REPORT**

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Members of the Board of Education  
Scott County School District  
Georgetown, Kentucky

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Scott 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 accompanying 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; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*, including *Appendix I – Audit Extension Request and Appendix II – Instructions for Submission of the Audit Report*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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 on the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

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

As discussed in Note 1 to the financial statements, the District adopted GASB No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, GASB 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, GASB 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AJCPA Pronouncements*, GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions an amendment of GASB Statement No. 53* during the fiscal year.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 40 through 41 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 Scott County School District's basic financial statements. The combining financial statements, school schedules and schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated September 3, 2013, on our consideration of Scott 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Scott County School District's internal control over financial reporting and compliance.

  
Certified Public Accountants  
Elizabethtown, Kentucky  
September 3, 2013

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCOTT COUNTY SCHOOL DISTRICT – GEORGETOWN, KENTUCKY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2013**

The discussion and analysis of Scott County School District’s financial performance provides an overall review of the school district’s financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to review the school district’s financial performance as a whole; readers should also review the financial statements and notes to the financial statements to enhance their understanding of the school district’s financial performance.

**FINANCIAL HIGHLIGHTS**

- The Scott County Board of Education completed the 2012/2013 fiscal year in a position of financial readiness with the General Fund reflecting an ending (unassigned) fund balance of \$3.0 million. This \$3.0 million is in addition to \$3.7 million in committed funds and \$1.7 in assigned funds as detailed in Note 9 – Fund Balances, page 38.
- On January 9, 2007, the Board approved an Educational Broadband service Lease Agreement with Nextel Spectrum Acquisition Corporation, a wholly-owned indirect subsidiary of Sprint Nextel Corporation, that provided a onetime payment to the Board of \$600,000; plus \$6,000 per month in years 1 through 5, \$7,000 per month in years 6 through 15, \$8,000 per month in years 16 through 20, \$9,000 per month in years 21 through 25, \$10,000 per month in years 26 through 30. The Board restricted the use of these funds for equipment for Elkhorn Crossing School (Scott County’s Career Technical Center).
- On December 14, 2010, the Board approved initial plans to construct phase I of a new elementary school to be funded from Kentucky School Facility Construction Commission and local Revenue Bonds.
- On March 8, 2011, the Board approved initial plans to expand the 9<sup>th</sup> Grade School Cafeteria to be funded from local Revenue Bonds.
- On January 1, 2012, the Board issued 2012 Series Revenue Bonds in the amount of \$20,250,000 to fund construction of phase I of Lemons Mill Elementary School and expand the 9<sup>th</sup> Grade School Cafeteria.
- On October 1, 2012, the Board issued \$3,000,000 in Refunding Revenue Bonds with an average interest rate of 2.36 percent to advance refund \$2,715,000 of outstanding 2004B Series revenue bonds. The District completed the refunding to reduce its total debt service payments over the next 12 years by \$227,650 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$198,949.
- On December 1, 2012, the Board issues \$8,905,000 in Refunding Revenue Bonds with an average interest rate of 2.14 percent to advance refund \$8,270,000 of outstanding 2004 Series revenue bonds. The District completed the refunding to reduce its total debt service payments over the next 12 years by \$1,001,606 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$890,565.
- On December, 11, 2012, the Board approved the construction documents and authorized the advertisement of bids for the construction of phase II, Lemons Mill Elementary School.
- On March 1, 2013, the Board issued \$15,110,000 in Refunding Revenue Bonds with an average interest rate of 2.42 percent to advance refund \$15,670,000 of outstanding 2005 Series revenue bonds. The District completed the refunding to reduce its total debt service payments over the next 12 years by \$1,413,140 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$1,223,274.
- On March 1, 2013, the Board issued \$8,000,000 in 2013 Series revenue Bonds with an average interest rate of 3.02 percent to fund phase II Lemons Mill Elementary
- On June 1, 2013, the Board issued \$440,000 in 2013 Series Energy Revenue Bonds with an average interest rate of 2.33 percent to fund energy savings lighting and HVAC updates.

## USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Scott County Public School District as a financial whole, or as an entire operating entity.

The statement of net assets and statement of activities provide information about the activities of the whole school district, presenting both an aggregate view of the school district's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the school district's most significant funds with all other non-major funds presented in total in a single column. For Scott County School District, the General Fund is the most significant fund.

**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.

While this report contains the large number of funds used by the school district to provide programs and activities, the view of the school district as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2013?" The statement of net position and the statement of activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting system used by most private sector companies. The basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash was received or paid.

These two statements report the school district's net assets and changes in those assets. This change in net assets is important because it identifies whether the financial position of the school district has improved or diminished for the school district as a whole. The cause of this change may be the result of many factors, some financial, some not. Non-financial factors include the school district's property tax base, current property tax laws in Kentucky affecting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net assets and the statement of activities, the school district is divided into two distinct kinds of activities:

**Government Activities** – Most of the school district's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and other support activities.

**Business-Type Activity** – This service is provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The school district's food service operations and the high school Child Care Program are reported as a business activity.

The government-wide financial statements can be found on pages 10-11 of this report.

**Fund financial statements** – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The district uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the district can be divided into three categories: governmental, proprietary funds and fiduciary funds. The fiduciary funds include agency funds for student education and private purpose trust funds. The proprietary fund includes the food service program and the high school Child Care Program. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 12-20 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 21-39 of this report.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the district, assets exceeded liabilities by \$38.7 million at June 30, 2013.

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

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

**Net Position for the Period ending June 30, 2013 and 2012  
(Table 1)**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current and Other Assets	\$27,020,810	\$30,045,281	\$1,453,655	\$1,401,933	\$28,474,465	\$31,447,214
Capital Assets	139,578,277	128,921,453	829,814	956,428	140,408,091	129,877,811
<b>Total Assets</b>	<b>166,599,087</b>	<b>158,966,734</b>	<b>2,283,469</b>	<b>2,358,361</b>	<b>168,882,556</b>	<b>161,325,095</b>
Long-Term Debt	115,582,886	113,734,844	-	-	115,582,886	113,734,844
Other Liabilities	14,446,513	9,529,451	81,983	69,101	14,528,496	9,598,552
<b>Total Liabilities</b>	<b>130,029,399</b>	<b>123,264,295</b>	<b>81,983</b>	<b>69,101</b>	<b>130,111,382</b>	<b>123,333,396</b>
<b>Net Position</b>						
Net investment in capital assets	20,110,978	13,688,427	829,814	956,428	20,940,792	14,644,855
Restricted	10,054,109	17,272,547	-	-	10,054,109	17,272,547
Unrestricted	6,404,601	4,741,465	1,371,672	1,332,832	7,776,273	6,074,297
<b>Total Net Position</b>	<b>\$36,569,688</b>	<b>\$35,702,439</b>	<b>\$2,201,486</b>	<b>\$2,289,260</b>	<b>\$38,771,174</b>	<b>\$37,991,699</b>

The following are significant current year transactions that have had an impact on the Statement of Net Position:

- The District placed in service \$17.9 million in capital assets and removed from service \$2.9 million in capital assets (valued at cost) and incurred net depreciation of \$4.4 million as detailed in Note 5 – Capital Assets, page 32.
- The District Revenue bonds payable increased by \$4.0 million as detailed in Note 7 – Long-Term Liabilities, page 33.

## Comments on Budget Comparisons

- The district's total Governmental Fund revenues, net of inter-fund transfers, and bond proceeds were \$75.8 million.
- General Fund budget compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$1.2 million more than budget or approximately 2.2%. The variance is explained by actual revenue exceeding budget in local tax (property, motor vehicle, utility and occupational license) revenues of \$947 thousand and other local revenue of \$358 thousand.
- The district's total Governmental Fund expenditures totaled \$90.2 million including debt service and capital improvements.
- General Fund budget expenditures to actual varied slightly in all categories. This variance is primarily the result of encumbered obligations of \$1.2 million and reserve for contingencies of \$2.2 million included in budget and not expenditures at June 30, 2013.

The following Table 2 presents a summary of changes in net position for the fiscal year ended June 30, 2013 and 2012.

**(Table 2) Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
<b>REVENUES</b>						
<b>Program Revenues</b>						
Charges for services	\$119,961	\$125,632	\$1,653,686	\$1,727,188	\$1,773,647	\$1,852,820
Operating grants and contributions	20,969,048	20,320,787	2,928,798	2,695,056	23,897,846	23,015,843
Capital Grants and contributions	992,040	1,101,321	-	-	992,040	1,101,321
<b>General Revenues</b>						
Property Tax	16,780,950	15,839,617	-	-	16,780,950	15,839,617
Motor vehicle taxes	1,928,604	1,802,878	-	-	1,928,604	1,802,878
Utility taxes	3,710,454	3,739,174	-	-	3,710,454	3,739,174
Occupational taxes	3,915,364	2,980,059	-	-	3,915,364	2,980,059
Gain on disposal of capital assets	86,298	32,894	-	-	86,298	32,894
Investment earnings	186,423	177,422	3,572	2,487	189,995	179,909
State and formula grants	27,185,352	27,261,427	-	-	27,185,352	27,261,427
Miscellaneous	110,454	1,112,796	-	-	110,454	1,112,796
<b>Total Revenues</b>	<b>75,984,948</b>	<b>74,494,007</b>	<b>4,586,056</b>	<b>4,424,731</b>	<b>80,571,004</b>	<b>74,995,696</b>
<b>EXPENSES</b>						
<b>Program Activities:</b>						
Instruction	44,793,810	43,630,930	-	-	44,793,810	43,630,930
Student Support	4,369,657	4,113,884	-	-	4,369,657	4,113,884
Instructional staff support	3,279,926	3,166,247	-	-	3,279,926	3,166,247
District administrative support	1,023,896	994,588	-	-	1,023,896	994,588
School administrative support	3,792,061	3,607,309	-	-	3,792,061	3,607,309
Business support	950,597	1,042,476	-	-	950,597	1,042,476
Plant operation and maintenance	5,610,451	5,780,436	-	-	5,610,451	5,780,436
Student transportation	4,693,830	4,446,665	-	-	4,693,830	4,446,665
Community service activities	1,564,381	1,642,341	-	-	1,564,381	1,642,341
Other	114,789	163,006	-	-	114,789	163,006
Interest costs	4,044,777	4,118,858	-	-	4,044,777	4,118,858
<b>Business-type Activities:</b>						
Food Service	-	-	4,594,891	4,312,952	4,594,891	4,312,952
Child Care	-	-	96,110	99,646	96,110	99,646
<b>Total Expenses</b>	<b>74,238,175</b>	<b>72,706,740</b>	<b>4,691,001</b>	<b>4,412,598</b>	<b>78,929,176</b>	<b>77,119,338</b>
<b>Change in net assets before transfers and Extraordinary item</b>	<b>1,746,773</b>	<b>1,787,267</b>	<b>(104,945)</b>	<b>12,133</b>	<b>1,641,828</b>	<b>1,799,400</b>
<b>Extraordinary item - KSBIT</b>	<b>(862,353)</b>				<b>(862,353)</b>	
<b>Transfers</b>	<b>(17,171)</b>	<b>8,400</b>	<b>17,171</b>	<b>(8,400)</b>	<b>-</b>	<b>-</b>
<b>Change in net position</b>	<b>\$867,249</b>	<b>\$1,795,667</b>	<b>\$(87,774)</b>	<b>\$3,733</b>	<b>\$779,475</b>	<b>\$1,799,400</b>

## Governmental Activities

Instruction comprises 60.3% of governmental program expenses. Support services expenses make up 31.9% of government expenses. The remaining expense for community services activities, interest and other items accounts for the remaining 7.8% of total government expense.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

(Table 3)

	Governmental Activities			
	Total Cost of Services		Net Cost of Services	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Instruction	\$44,793,810	\$43,630,930	\$29,442,010	\$28,645,240
Support Services	23,720,418	23,151,605	18,789,289	18,512,854
Community Services	1,564,381	1,642,341	800,149	793,600
Other	114,789	163,006	72,941	62,479
Interest Costs	4,044,777	4,118,858	4,044,777	3,144,827
<b>Total Expenses</b>	<b>\$74,238,175</b>	<b>\$72,706,740</b>	<b>\$53,149,166</b>	<b>\$51,159,000</b>

## Business-Type Activities

The business-type activities include the food service operation, child care program within Scott County High School and a summer enrichment program.

The food service operation had total revenues of \$4,538,999 and expenses of \$4,594,891 for fiscal year 2013. Revenues include \$1,628,736 from charges for services, \$2,910,263 from state and federal grants and \$3,572 from investment earnings. The food service operation also paid \$60,000 to the general fund for indirect costs. The food service program receives no support from tax revenues.

The child care program within Scott County High School primarily serves students with infants. This program had total revenues of \$39,710, transfers from the general fund of \$50,010 and expenses of \$90,615 for fiscal year 2013. Of the revenues, \$21,175 was charges for services and \$18,535 was from state sources.

The summer enrichment program had total tuition revenue of \$3,775, transfers from the general fund of \$3,600 and expenses of \$5,495.

The district will continue to monitor the charges and costs of these activities. If it becomes necessary, the school district will increase the charges for these activities.

## The School District's Funds

Information about the school district's major funds starts on page 12. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$121.9 million and expenditures and other financing uses of \$127.6 million. Net changes in fund balances for the year were most significant in the General Fund, and Construction Fund, with a decrease in the Construction Fund balance of \$7.0 million from expended proceeds from sale of bonds for school building construction.

## General Fund Budget Highlights

The school district's budget is prepared according to Kentucky law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. The State Department of Education requires a zero-based budget with any budgeted remaining fund balance shown as a contingency expense in the budget process.

Actual General Fund revenues for 2012/2013 of \$59,693,509 were 102% of the budgeted revenues total of \$58,402,431. Taxes collected for the year were \$20,252,058 for the General Fund and accounted for 33.9% of the annual General Fund revenues. State revenues were \$37,459,593 for the General Fund and accounted for 62.75% of the General Fund revenues.

Instruction expenditures included \$614,858 for textbooks and plant operation and maintenance expenditures included \$114,888 in costs for property insurance funded by Capital Outlay Funds.

Student transportation expenditures of \$4,296,228 included \$264,062 for the purchase of buses and \$668,350 for diesel fuel.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of fiscal year 2013, the school district had \$140.4 million invested in capital assets and \$139.5 million in governmental activities. Table 4 shows fiscal year 2013 and 2012 balances.

**(Table 4)**  
**Capital Assets**  
**(Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	\$6,463,345	\$6,463,345	\$ -	\$ -	\$6,463,345	\$6,463,345
Construction in progress	17,953,127	5,095,625	-	-	17,953,127	5,095,625
Land Improvements	2,041,554	1,887,503	-	-	2,041,554	1,887,503
Buildings and improvements	108,829,027	110,488,845	-	-	108,829,027	110,488,845
Technology	887,595	1,227,646	34,544	48,671	922,139	1,276,317
Vehicles	2,563,175	2,765,800	-	52	2,563,175	2,765,852
General equipment	840,454	992,689	795,270	907,705	1,635,724	1,900,394
<b>Total</b>	<b>\$139,578,277</b>	<b>\$128,921,453</b>	<b>\$829,814</b>	<b>\$956,428</b>	<b>\$140,408,091</b>	<b>\$129,877,881</b>

Table 5 shows changes in capital assets for the year ended June 30, 2013 and 2012.

**(Table 5)**  
**Change in Capital Assets**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>
Beginning balance	\$128,921,453	\$127,462,162	\$956,428	\$1,037,089	\$129,877,881	\$128,499,251
Additions	17,919,309	6,483,267	23,561	74,003	17,942,870	6,557,270
Retirements	(2,355,272)	(48,054)		(4,170)	(2,355,272)	(52,224)
Depreciation	(4,907,213)	(4,975,922)	(150,175)	(150,494)	(5,057,388)	(5,126,416)
<b>Ending Balance</b>	<b>\$139,578,277</b>	<b>\$128,921,453</b>	<b>\$829,814</b>	<b>\$956,428</b>	<b>\$140,408,091</b>	<b>\$129,877,881</b>

**BUDGETARY IMPLICATIONS**

In Kentucky, the public schools fiscal year is July 1<sup>st</sup> – June 30<sup>th</sup>; other programs, i.e. some federal programs operate on a different fiscal calendar, but are reflected in the district overall budget. The district’s budget for 2013 completed the year with a budgeted General Fund Contingency Reserve of \$2,237,556.

With a current enrollment of 8,576 students, Scott County School District has experienced an average annual growth in student enrollment of 174 students or 2.14% per year over the last five years. To accommodate this increase in enrollment, the district has been building new schools and renovating and expanding existing schools. These new and expanded facilities come with increased cost for utilities; maintenance of grounds and facilities, and additional personnel costs (instructional, administrative and support staffing). New schools also require funds for the purchase of computers, library books, instructional materials and equipment that can only be paid from the General Fund.

In the past, these costs have been offset by increases in state funding (SEEK), increases in business and residential property subject to local taxation, and increases in utility, occupational and net profits tax revenues. However, as with all Kentucky school districts, revenue from property tax is limited to a 4% annual growth on previous year existing property. The low growth in property assessments (1.03% average per year since 2008/2009) subject to taxation has diminished the Board’s ability to add facilities to meet current student enrollment growth.

These growth related costs, along with the continuing need to increase student capacity, decrease in local revenue per student and limited state revenue growth, will continue to create budgetary challenges for the Scott County School District.

**Contacting the School District’s Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the school district’s finances and to reflect the school district’s accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to Superintendent, Patricia Putty or Finance Officer, Randy Cutright at (502) 863-3663 or by mail, to Scott County Public Schools, PO Box 578, Georgetown, Kentucky 40324.

## **BASIC FINANCIAL STATEMENTS**

**SCOTT COUNTY SCHOOL DISTRICT**

STATEMENT OF NET POSITION

June 30, 2013

<b>Assets</b>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
<b><u>Current Assets</u></b>			
Cash and cash equivalents	\$ 18,888,782	\$ 1,030,589	\$ 19,919,371
Investments	4,314,304		4,314,304
Prepays	431,754	15,641	447,395
Inventory		198,396	198,396
Receivables:			
Taxes-current	1,741,421		1,741,421
Taxes-delinquent	32,998		32,998
Other receivables	236,141	1,429	237,570
Intergovernmental-Indirect Federal	5,444		5,444
Intergovernmental-Direct Federal	551,885	207,600	759,485
<b>Total Current Assets</b>	<b>26,202,729</b>	<b>1,453,655</b>	<b>27,656,384</b>
<b><u>Noncurrent Assets</u></b>			
Deferred charges	818,081		818,081
Capital assets, net of accumulated depreciation	139,578,277	829,814	140,408,091
<b>Total Noncurrent Assets</b>	<b>140,396,358</b>	<b>829,814</b>	<b>141,226,172</b>
<b>Total Assets</b>	<b>166,599,087</b>	<b>2,283,469</b>	<b>168,882,556</b>
<b>Liabilities</b>			
<b><u>Current Liabilities</u></b>			
Accounts payable	4,053,498	36,727	4,090,225
Accrued payroll and related expenses	3,015,299		3,015,299
Unearned revenue	204,355	45,256	249,611
Bond obligations	5,360,000		5,360,000
Capital leases	239,455		239,455
Compensated absences	235,377		235,377
Interest payable	1,338,529		1,338,529
<b>Total Current Liabilities</b>	<b>14,446,513</b>	<b>81,983</b>	<b>14,528,496</b>
<b><u>Noncurrent Liabilities</u></b>			
Bond obligations	112,675,137		112,675,137
Capital leases	1,192,707		1,192,707
Compensated absences	852,689		852,689
KSBIT	862,353		862,353
<b>Total Noncurrent Liabilities</b>	<b>115,582,886</b>	<b>-</b>	<b>115,582,886</b>
<b>Total Liabilities</b>	<b>130,029,399</b>	<b>81,983</b>	<b>130,111,382</b>
<b><u>Net Position</u></b>			
Net investment in capital assets	20,110,978	829,814	20,940,792
Restricted	10,054,109		10,054,109
Unrestricted	6,404,601	1,371,672	7,776,273
<b>Total Net Position</b>	<b>\$ 36,569,688</b>	<b>\$ 2,201,486</b>	<b>\$ 38,771,174</b>

The notes to the financial statements are an integral part of this statement.

SCOTT COUNTY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2013

	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges For Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business- Type Activities	Total
<b>FUNCTIONS/PROGRAMS</b>							
<b>Governmental Activities:</b>							
Instruction	\$ 44,793,810	\$ 119,961	\$ 15,231,839	\$ -	\$ (29,442,010)	\$ -	\$ (29,442,010)
Support services:							
Student	4,369,657		1,348,627		(3,021,030)		(3,021,030)
Instruction staff	3,279,926		1,308,983		(1,970,943)		(1,970,943)
District administrative	1,023,896		44,384		(979,512)		(979,512)
School administrative	3,792,061		813,508		(2,978,553)		(2,978,553)
Business	950,597		127,929		(822,668)		(822,668)
Plant operation and maintenance	5,610,451		473,471		(5,136,980)		(5,136,980)
Student transportation	4,693,830		814,227		(3,879,603)		(3,879,603)
Community service activities	1,564,381		764,232		(800,149)		(800,149)
Other	114,789		41,848		(72,941)		(72,941)
Interest on long-term debt	4,044,777			992,040	(3,052,737)		(3,052,737)
<b>Total Governmental Activities</b>	<b>74,238,175</b>	<b>119,961</b>	<b>20,969,048</b>	<b>992,040</b>	<b>(52,157,126)</b>	<b>-</b>	<b>(52,157,126)</b>
<b>Business-Type Activities:</b>							
Food service	4,594,891	1,628,736	2,910,263			(55,892)	(55,892)
Childcare	96,110	24,950	18,535			(52,625)	(52,625)
<b>Total Business-Type Activities</b>	<b>4,691,001</b>	<b>1,653,686</b>	<b>2,928,798</b>	<b>-</b>	<b>-</b>	<b>(108,517)</b>	<b>(108,517)</b>
<b>Total Primary Government</b>	<b>\$ 78,929,176</b>	<b>\$ 1,773,647</b>	<b>\$ 23,897,846</b>	<b>\$ 992,040</b>	<b>(52,157,126)</b>	<b>(108,517)</b>	<b>(52,265,643)</b>
<b>General Revenues:</b>							
Taxes:							
					16,780,950		16,780,950
					3,915,364		3,915,364
					1,928,604		1,928,604
					3,710,454		3,710,454
					186,423	3,572	189,995
					86,298		86,298
					27,185,352		27,185,352
					110,454		110,454
					(862,353)		(862,353)
					53,041,546	3,572	53,045,118
					(17,171)	17,171	-
					867,249	(87,774)	779,475
					35,702,439	2,289,260	37,991,699
					\$ 36,569,688	\$ 2,201,486	\$ 38,771,174

The notes to the financial statements are an integral part of this statement.

**FUND FINANCIAL STATEMENTS**

SCOTT COUNTY SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2013

	General Fund	Special Revenue Fund	FSPK Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>						
Cash and cash equivalents	\$ 10,773,632	\$ 204,471	\$ 1,368	\$ 7,846,942	\$ 62,369	\$ 18,888,782
Investments				4,314,304		4,314,304
Prepays	422,979	8,775				431,754
Receivables:						
Taxes - current	1,741,421					1,741,421
Taxes - delinquent	32,998					32,998
Other receivables	232,594	2,602		945		236,141
Intergovernmental - Indirect Federal		5,444				5,444
Intergovernmental - Direct Federal		551,885				551,885
<b>Total Assets</b>	<b>\$ 13,203,624</b>	<b>\$ 773,177</b>	<b>\$ 1,368</b>	<b>\$ 12,162,191</b>	<b>\$ 62,369</b>	<b>\$ 26,202,729</b>
<b>Liabilities and Fund Balances:</b>						
<b>Liabilities</b>						
Accounts payable	\$ 1,321,632	\$ 100,673	\$ -	\$ 2,624,193	\$ 7,000	\$ 4,053,498
Accrued payroll and related expenses	3,015,299					3,015,299
Unearned revenue		204,355				204,355
<b>Total Liabilities</b>	<b>4,336,931</b>	<b>305,028</b>	<b>-</b>	<b>2,624,193</b>	<b>7,000</b>	<b>7,273,152</b>
<b>Fund Balances</b>						
Nonspendable	422,979	8,775				431,754
Restricted		459,374	1,368	9,537,998	55,369	10,054,109
Committed	3,719,474					3,719,474
Assigned	1,717,884					1,717,884
Unassigned	3,006,356					3,006,356
<b>Total Fund Balances</b>	<b>8,866,693</b>	<b>468,149</b>	<b>1,368</b>	<b>9,537,998</b>	<b>55,369</b>	<b>18,929,577</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 13,203,624</b>	<b>\$ 773,177</b>	<b>\$ 1,368</b>	<b>\$ 12,162,191</b>	<b>\$ 62,369</b>	<b>\$ 26,202,729</b>

The notes to the financial statements are an integral part of this statement.

**SCOTT COUNTY SCHOOL DISTRICT**

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO  
THE STATEMENT OF NET POSITION**

June 30, 2013

Total fund balance per fund financial statements	\$ 18,929,577
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.	139,578,277
Debt issuance charges are reported as expenditures in the governmental funds when first incurred; however, they are included as deferred charges in the statement of net position	818,081
Certain liabilities are not reported in this fund financial statement because because they are not due and payable, but they are presented in the statement of net position:	
Bonds payable (net of discounts/premiums and deferred amounts on refundings)	(118,035,137)
Capital leases payable	(1,432,162)
Interest payable	(1,338,529)
Compensated absences	(1,088,066)
KSBIT	<u>(862,353)</u>
Net position for governmental activities	<u>\$ 36,569,688</u>

The notes to the financial statements are an integral part of this statement.

SCOTT COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

Year Ended June 30, 2013

	General Fund	Special Revenue Fund	FSPK Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
From local sources:						
Taxes:						
Property	\$ 10,697,636	\$ -	\$ 6,083,314	\$ -	\$ -	\$ 16,780,950
Occupational license	3,915,364					3,915,364
Motor vehicle	1,928,604					1,928,604
Utilities	3,710,454					3,710,454
Earnings on investments	80,193	1,636	5	53,183	51,406	186,423
Other local revenues	1,884,816	104,051				1,988,867
Intergovernmental - State	37,459,593	2,314,587	1,506,632		1,759,236	43,040,048
Intergovernmental - Indirect Federal	16,849	4,216,280				4,233,129
Intergovernmental - Direct Federal		51,836				51,836
<b>Total Revenues</b>	<b>59,693,509</b>	<b>6,688,390</b>	<b>7,589,951</b>	<b>53,183</b>	<b>1,810,642</b>	<b>75,835,675</b>
<b>Expenditures:</b>						
Instruction	36,402,958	4,296,708				40,699,666
Support services:						
Student	3,736,429	564,308				4,300,737
Instruction staff	2,267,586	997,533				3,265,119
District administrative	1,011,633					1,011,633
School administrative	3,594,609	186,916				3,781,525
Business	927,201					927,201
Plant operation and maintenance	5,532,682	8,928				5,541,610
Student transportation	4,296,228	171,628				4,467,856
Community service activities	1,075,314	489,068				1,564,382
Other non-instruction	294,735	41,848				336,583
Facilities acquisition and construction				15,239,214		15,239,214
Bond issuance costs				59,153	192,910	252,063
Debt service:						
Principal					4,805,000	4,805,000
Interest					4,017,238	4,017,238
<b>Total Expenditures</b>	<b>59,139,375</b>	<b>6,756,937</b>	<b>-</b>	<b>15,298,367</b>	<b>9,015,148</b>	<b>90,209,827</b>
<b>Excess (Deficit) of Revenues over Expenditures</b>	<b>554,134</b>	<b>(68,547)</b>	<b>7,589,951</b>	<b>(15,245,184)</b>	<b>(7,204,506)</b>	<b>(14,374,152)</b>
<b>Other Financing Sources (Uses):</b>						
Proceeds from sale of capital assets	100,953					100,953
Insurance proceeds	62,975					62,975
Bond proceeds from revenue bonds				8,440,000		8,440,000
Bond proceeds from refunding bonds					27,015,000	27,015,000
Bond discount/premium				(166,350)	1,838,946	1,672,596
Payment to refunded bond escrow agent					(28,655,242)	(28,655,242)
Transfers in	851,185	119,852		32,621	7,761,523	8,765,181
Transfers out	(91,064)	(61,439)	(7,589,946)	(135,589)	(880,753)	(8,758,791)
<b>Total Other Financing Sources (Uses)</b>	<b>924,049</b>	<b>58,413</b>	<b>(7,589,946)</b>	<b>8,170,682</b>	<b>7,079,474</b>	<b>8,642,672</b>
<b>Excess (Deficit) of Revenue and Other Financing Sources over Expenditures and Other Financing Uses</b>	<b>1,478,183</b>	<b>(10,134)</b>	<b>5</b>	<b>(7,074,502)</b>	<b>(125,032)</b>	<b>(5,731,480)</b>
<b>Fund Balance, July 1, 2012</b>	<b>7,388,510</b>	<b>478,283</b>	<b>1,363</b>	<b>16,612,500</b>	<b>180,401</b>	<b>24,661,057</b>
<b>Fund Balance, June 30, 2013</b>	<b>\$ 8,866,693</b>	<b>\$ 468,149</b>	<b>\$ 1,368</b>	<b>\$ 9,537,998</b>	<b>\$ 55,369</b>	<b>\$ 18,929,577</b>

The notes to the financial statements are an integral part of this statement.

**SCOTT COUNTY SCHOOL DISTRICT**

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

Year Ended June 30, 2013

Net change in total fund balances per fund financial statements	\$ (5,731,480)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.	10,671,478
The proceeds for the issuance of bonds provide current financial resources and are reported in this fund financial statement but they are presented as liabilities in the statement of net position.	(8,220,291)
Capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.	239,327
Bond payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.	4,805,000
In the statement of activities, only the gain (loss) on sale of fixed assets is reported, whereas in the governmental funds, the proceeds for the sale increased financial resources.	(14,654)
Estimated claims that are not mature are not reported in this fund financial statement, but those that are probable and reasonably estimable This item is recorded as extraordinary item in the statement of activities as it is unusual in nature and infrequent in occurrence.	(862,353)
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.	<u>(19,778)</u>
Change in net position of governmental activities	<u>\$ 867,249</u>

The notes to the financial statements are an integral part of this statement.

**SCOTT COUNTY SCHOOL DISTRICT**

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2013

	Food Service Fund	Child Care Fund	Total
<b>Assets</b>			
<b><u>Current Assets</u></b>			
Cash and cash equivalents	\$ 1,023,797	\$ 6,792	\$ 1,030,589
Intergovernmental receivable - Indirect Federal	207,600		207,600
Other receivables	325	1,104	1,429
Prepays	15,641		15,641
Inventory	198,396		198,396
<b>Total Current Assets</b>	<b>1,445,759</b>	<b>7,896</b>	<b>1,453,655</b>
<b><u>Noncurrent Assets</u></b>			
Capital assets, net of accumulated depreciation	829,814		829,814
<b>Total Noncurrent Assets</b>	<b>829,814</b>	<b>-</b>	<b>829,814</b>
<b>Total Assets</b>	<b>2,275,573</b>	<b>7,896</b>	<b>2,283,469</b>
<b>Liabilities</b>			
<b><u>Current Liabilities</u></b>			
Accounts payable	36,727		36,727
Unearned revenue	45,149	107	45,256
<b>Total Current Liabilities</b>	<b>81,876</b>	<b>107</b>	<b>81,983</b>
<b><u>Net Position</u></b>			
Net investment in capital assets	829,814		829,814
Unrestricted	1,363,883	7,789	1,371,672
<b>Total Net Position</b>	<b>\$ 2,193,697</b>	<b>\$ 7,789</b>	<b>\$ 2,201,486</b>

The notes to the financial statements are an integral part of this statement.

**SCOTT COUNTY SCHOOL DISTRICT**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

Year Ended June 30, 2013

	Food Service Fund	Child Care Fund	Total
<b>Operating Revenues:</b>			
Lunchroom sales	\$ 1,581,942	\$ -	\$ 1,581,942
Other operating revenues	46,794	24,950	71,744
<b>Total Operating Revenues</b>	1,628,736	24,950	1,653,686
<b>Operating Expenses:</b>			
Salaries and wages	2,154,935	95,881	2,250,816
Materials and supplies	2,042,070	229	2,042,299
Depreciation	150,175		150,175
Other operating expenses	247,711		247,711
<b>Total Operating Expenses</b>	4,594,891	96,110	4,691,001
Operating loss	(2,966,155)	(71,160)	(3,037,315)
<b>Non-Operating Revenues (Expenses):</b>			
Federal grants	2,156,405		2,156,405
Donated commodities	228,357		228,357
State grants	37,144	6,095	43,239
State on-behalf payments	488,357	12,440	500,797
Interest income	3,572		3,572
<b>Total Non-Operating Revenues (Expenses) Before Capital Contributions and Transfers</b>	2,913,835	18,535	2,932,370
Capital contributions	23,561		23,561
Transfers in		53,610	53,610
Transfers out	(60,000)		(60,000)
Changes in net position	(88,759)	985	(87,774)
<b>Net Position, July 1, 2012</b>	2,282,456	6,804	2,289,260
<b>Net Position June 30, 2013</b>	<u>\$ 2,193,697</u>	<u>\$ 7,789</u>	<u>\$ 2,201,486</u>

The notes to the financial statements are an integral part of this statement.

**SCOTT COUNTY SCHOOL DISTRICT**

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year Ended June 30, 2013

	Food Service Fund	Child Care Fund	Total
<b>Cash Flows from Operating Activities</b>			
Cash received from:			
Lunchroom sales	\$ 1,628,660	\$ -	\$ 1,628,660
Other activities		23,846	23,846
Cash paid to/for:			
Employees	1,666,578	84,981	1,751,559
Supplies	1,831,771	122	1,831,893
Other activities	247,711		247,711
<b>Net Cash Used by Operating Activities</b>	<u>(2,117,400)</u>	<u>(61,257)</u>	<u>(2,178,657)</u>
<b>Cash flows from Non-Capital Financing Activities</b>			
Federal grants	1,977,128		1,977,128
State grants	37,144	6,095	43,239
Transfers from other funds		53,610	
Transfers to other funds	(60,000)		(60,000)
<b>Net Cash Provided by Non-Capital Financing Activities</b>	<u>1,954,272</u>	<u>59,705</u>	<u>2,013,977</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Sale of capital assets	-	-	-
Purchases of capital assets	-	-	-
<b>Net Cash Used by Capital and Related Financing Activities</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cash Flows from Investing Activities</b>			
Receipt of interest income	3,572		3,572
Net increase (decrease) in cash and cash equivalents	(159,556)	(1,552)	(161,108)
<b>Balances, beginning of year</b>	<u>1,183,353</u>	<u>8,344</u>	<u>1,191,697</u>
<b>Balances, end of year</b>	<u>\$ 1,023,797</u>	<u>\$ 6,792</u>	<u>\$ 1,030,589</u>
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ (2,966,155)	\$ (71,160)	\$ (3,037,315)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation	150,175		150,175
State on-behalf payments	488,357	12,440	500,797
Donated commodities	228,357		228,357
Change in assets and liabilities:			
Other receivables	(76)	(1,104)	(1,180)
Prepays	(15,641)		(15,641)
Inventory	(16,732)		(16,732)
Accrued liabilities		(1,540)	(1,540)
Unearned revenue	4,465		4,465
Accounts payable	9,850	107	9,957
<b>Net cash used by operating activities</b>	<u>\$ (2,117,400)</u>	<u>\$ (61,257)</u>	<u>\$ (2,178,657)</u>
<b>Schedule of non-cash transactions:</b>			
Donated commodities received from federal government	<u>\$ 228,357</u>	<u>\$ -</u>	<u>\$ 228,357</u>
State on-behalf payments	<u>\$ 488,357</u>	<u>\$ 12,440</u>	<u>\$ 500,797</u>

The notes to the financial statements are an integral part of this statement.

**SCOTT COUNTY SCHOOL DISTRICT**

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

June 30, 2013

	Private Purpose Trust Funds	Agency Fund
<b>Assets</b>		
Cash and cash equivalents	\$ 32,888	\$ 1,044,163
Receivables		8,502
<b>Total Assets</b>	<u>32,888</u>	<u>1,052,665</u>
<b>Liabilities</b>		
Accounts payable		45,165
Due to student groups		1,007,500
<b>Total Liabilities</b>	<u>-</u>	<u>1,052,665</u>
<b>Net Position Held in Trust</b>	<u>\$ 32,888</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

**SCOTT COUNTY SCHOOL DISTRICT**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

Year Ended June 30, 2013

	Private Purpose Trust Funds
<b>Additions</b>	
Net interest and investment gains (losses)	\$ 94
Contributions	11,147
	<u>11,241</u>
<b>Deductions</b>	
Scholarships paid	<u>(11,540)</u>
Change in net assets	(299)
<b>Net Position, July 1, 2012</b>	<u>33,187</u>
<b>Net Position, June 30, 2013</b>	<u><u>\$ 32,888</u></u>

The notes to the financial statements are an integral part of this statement.

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

## SCOTT COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Scott County School District (the "District") have been prepared to conform with Accounting Principles Generally Accepted in the United States of America ("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.

##### A. REPORTING ENTITY

The Scott 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 Scott County School District. 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.

For financial reporting purposes, the accompanying financial statements include all of the operations over which the District is financially accountable. The District is financially accountable for organizations that make up its legal entity, as well as legally separate organizations that meet certain criteria. In accordance with GASB 14, "The Financial Reporting Entity," as amended by GASB 39, "Determining Whether Certain Organizations Are Component Units", the criteria for inclusion in the reporting entity involve those cases where the District or its officials appoint a voting majority of an organization's governing body, and is either able to impose its will on the organization or there is a potential for the organization to provide specific financial benefits to or to impose specific financial burdens on the District or the nature and significance of the relationship between the District and the organization is such that exclusion would cause the District's financial statements to be incomplete. Applying this definition, District management has determined that the component unit reportable within the accompanying financial statements is the Scott County School District Finance Corporation, (the "Corporation"). The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Boosters, Parent-Teacher Associations, etc.

Blended Component Unit - Scott County School District Finance Corporation – In a prior year, the Board of Education resolved to authorize the establishment of the Scott County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the "Corporation") as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors. Therefore, the financial activities of the Corporation have been blended (reported as if it were part of the District) with those of the District. The Corporation does not publish individual component unit financial statements.

##### B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT 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.

## SCOTT COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

#### 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 Governmental Funds are accounted for on the "flow of current financial resources" measurement focus. This measurement focus is based on the concept of accountability, which includes measuring interperiod equity whether current year revenues were sufficient to pay for current year services. The Proprietary Funds are accounted for on an "economic resources" measurement focus. Accordingly, the Statement of Revenues, Expenses and Changes in Fund Net Position for the Proprietary Funds reports increases and decreases in total economic net worth. The private purpose trust fund is reported using the economic resources measurement focus.

#### Governmental Funds

Governmental Funds are those through which most District functions are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in the Proprietary Funds and Fiduciary Funds) are accounted for through Governmental Funds. The measurement focus is upon determination of changes in financial resources rather than upon determination of net income. The following are the District's Governmental Funds:

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

## SCOTT COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

- (B) The Special Revenue Fund accounts 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.
- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).
  - 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. This is a major fund of the District.
  - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.
- (D) The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal and interest and related costs; and for the payment of interest on notes payable, as required by Kentucky Law.

#### Proprietary Funds

Proprietary Funds are used to account for ongoing organizations and activities, which are operated and financed in a manner similar to those found in the private sector. The measurement focus is upon the determination of net income. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. Operating expenses include salaries, benefits, supplies and other items. All items not meeting this definition are reported as nonoperating revenues and expenses. The District has two Proprietary Funds.

- (A) The Food Service Fund is used to account for school food service activities, including the National School Lunch and Breakfast Programs, 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 and for on-behalf payments for retirement and health insurance paid by the State of Kentucky. This is a major fund of the District.
- (B) The Child Care Fund accounts for the daycare operations of the District. Amounts have been recorded for on-behalf payments for retirement and health insurance paid by the State of Kentucky.

## SCOTT COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

##### Fiduciary Funds

Fiduciary Funds are used to account for assets held by the District on behalf of outside related organizations or on behalf of other funds within the District.

- A. 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 Uniform Program of Accounting for School Activity Funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.
- B. The Private Purpose Trust Funds are used to report trust arrangements under which principal and income benefit individuals, private organizations or other governments. Revenues consist of donations and interest income. Expenditures represent scholarships.

##### 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.

##### Modified Accrual

Under the modified accrual basis, revenues are recognized in the accounting period in which they become susceptible to accrual, i.e., both available and measurable. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Significant revenues susceptible to accrual include ad valorem taxes, reimbursable-type grants and interest on investments. The District considers all revenues (with the exception of the expenditure-driven grants) as available if they are collected within sixty (60) days after year-end. The expenditure driven grants are considered available if received within one year from the balance sheet date. Property tax revenue is recognized when taxes are received, except at year end when revenue is recognized for taxes received by the District within sixty (60) days subsequent to fiscal year end. Expenditures are recognized in the accounting period in which the liability is incurred. However, exceptions include the amount of unmatured principal and interest on general long-term debt, compensated absences, claims and judgments and certain prepaids which are recognized when due/paid.

In applying the susceptible to accrual concept to revenues from Federal and State sources, the legal contractual requirements of the numerous individual programs are used as guidance. Revenue from grants and entitlements is recognized when all eligibility requirements have been satisfied. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before the District will receive any amounts; therefore, revenues are recognized based upon the occurrence of expenditures. In the other type, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed legal and contractual requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met. In all cases, monies received before the revenue recognition criteria have been met are reported as unearned revenue.

## SCOTT COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

##### Accrual

Under the accrual basis of accounting, revenues are recognized in the period earned and expenses are recognized in the period incurred.

##### Revenue Recognition

State Revenue Sources - Revenues from State sources for current operations are primarily from the Support Education Excellence in Kentucky ("SEEK"), administered by the Kentucky Department of Education ("KDE"). The District files reports on average daily attendance ("ADA") student membership with the KDE. The KDE accumulates information from these reports and calculates the allocation of SEEK funds to the District. After review and verification of ADA reports and supporting documentation, the KDE may adjust subsequent fiscal period allocations of SEEK funding. Normally, such adjustments are treated as reductions of revenue in the year the reduction is made, as amounts are not significant.

Property Taxes - On an accrual basis, property tax revenue anticipated to be collected is recognized in the fiscal year for which it is levied. Delinquent taxes collected in subsequent periods are recognized as revenue during the fiscal year in which they are received.

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

#### C. BUDGETARY POLICIES

##### Budgetary Process

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

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

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

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. All budget appropriations lapse at year-end.

#### D. ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve a portion of an applicable appropriation, is utilized for budgetary control purposes. Encumbrances are not the equivalent of expenditures, and accordingly, amounts assigned for encumbrances at the governmental fund level indicate that portion of the fund balance segregated for expenditure upon vendor performance.

## SCOTT COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

##### E. CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, cash equivalents are considered to be demand deposits, money market funds, and other investments with an original maturity of 90 days or less.

##### F. INVENTORIES

Inventories are valued at cost, which approximates market. The food service fund uses the specific identification method and the general fund uses the first-in, first-out method. The District's inventories include various items consisting of school supplies, paper, books, maintenance items, transportation items, commodities, etc. USDA commodities received from the Federal government are recorded at the value established by the Federal government using the average cost method.

##### G. PREPAID ITEMS

Expenditures for insurance and similar services extending over more than one accounting period are not allocated between or among accounting periods in the governmental funds and are instead accounted for as expenditures in the period of acquisition (Purchase method).

##### H. 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 greater than \$5,000 are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District does not possess any infrastructure. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an assets' life are not. All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	25-50 years
Technology equipment	5 years
Vehicles	5-10 years
General equipment	5-15 years
Food service equipment	5-12 years

## SCOTT COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

##### I. LONG-TERM DEBT

In the fund-level financial statements, governmental funds report the face amount of debt issued, as well as any premiums (discounts) as other financing sources (uses). Debt issuance costs are reported as debt service expenditures. In the government-wide financial statements, long-term debt is reported as liabilities in the statement of net position. Bond premiums/discounts and issuance cost are amortized over the life of the bonds while deferred loss on advance refundings are amortized over the shorter of the remaining life of the refunded bonds or the life of the new bonds both in a systematic and rational method, which approximates the effective-interest method.

##### J. COMPENSATED ABSENCES

Compensated absences are payments to employees for accumulated sick leave. These amounts also include the related employer's share of applicable taxes and retirement contributions. District employees may accumulate unused sick leave up to a specified amount depending on their date of hire. Sick leave is payable to employees upon termination or retirement at 30% of the current rate of pay on the date of termination or retirement. The District uses the termination method to calculate the compensated absences amounts. The entire compensated absence liability is reported on the government-wide financial statements. The current portion is the amount estimated to be used in the following year. An expenditure is recognized in the governmental fund as payments come due each period, for example, as a result of employee resignations and retirements. Compensated absences not recorded at the fund level represent a reconciling item between the fund level and government-wide presentations.

##### K. ACCOUNTING 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, fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

##### L. IMPACT OF RECENTLY ISSUED ACCOUNTING PRINCIPLES

###### Recently Issued And Adopted Accounting Principles

In May 2009, the GASB issued Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB 54 requires the use of new fund balance classifications and clarifies existing governmental fund type definitions. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2010. The District adopted GASB Statement 54 in fiscal year 2011. Required disclosure is reported in Note 9.

In June 2010, the GASB issued Statement 59, *Financial Instruments Omnibus*. GASB 59 updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The requirements of this Statement will improve financial reporting by providing more complete information, by improving consistency of measurements, and by providing clarifications of existing standards. This Statement is effective for financial statements for periods beginning after June 15, 2010. The District adopted GASB Statement 59 in fiscal year 2011. The adoption of GASB 59 does not have any impact on the District's financial statements.

## SCOTT COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

In November 2010, the GASB issued Statement 60, *Accounting and Financial Reporting for Service Concession Arrangements*. GASB 60 provides financial reporting guidance for service concession arrangements (SCAs). SCAs are defined as an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. This statement is effective for periods beginning after December 15, 2011 and the District adopted GASB 60 in fiscal year 2013. The District does not have any SCAs and therefore the adoption of GASB 60 does not have any impact on the District's financial statements.

In November 2010, the GASB issued Statement 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. GASB 61 provides additional criteria for classifying entities as component units to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. This statement is effective for periods beginning after June 15, 2012 and the District adopted GASB 61 in fiscal year 2013.

In December 2010, the GASB issued Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AJCPA Pronouncements*. GASB 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. This statement is effective for periods beginning after December 15, 2011 and the District adopted GASB 62 in fiscal year 2013. The adoption of GASB 62 does not have any impact on the District's financial statements.

In June 2011, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes four components: assets, deferred outflows of resources, liabilities and deferred inflows of resources. The provisions of this Statement are effective for financial statements for periods beginning after December 15, and the District adopted GASB 63 in fiscal year 2013.

In June 2011, the GASB issued Statement 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions an amendment of GASB Statement No. 53*. GASB 64 provides clarification on whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This statement is effective for periods beginning after June 15, 2011 and the District adopted GASB 64 in fiscal year 2013. The adoption of GASB 64 does not have any impact on the District's current financial statements.

In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement is effective for periods beginning after December 15, 2012. Management is currently evaluating the impact of the adoption of this statement.

## SCOTT COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

##### Recently Issued Accounting Pronouncements

In March 2012, the GASB issued Statement 66, *Technical Corrections – 2012 – an Amendment of GASB Statements No. 10 and No. 62*. GASB 66 was issued to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement is effective for periods beginning after December 15, 2012. Management is currently evaluating the impact of the adoption of this statement.

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27*. GASB 68 addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.
- 

The Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, the Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This statement is effective for periods beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this statement.

In January 2013, the GASB issued Statement 69, *Government Combinations and Disposals of Government Operations*. GASB 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This statement is effective for periods beginning after December 15, 2013. Management is currently evaluating the impact of the adoption of this statement.

In March 2013, the GASB issued Statement 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. GASB 70 requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This statement is effective for periods beginning after June 15, 2013. Management is currently evaluating the impact of the adoption of this statement.

## SCOTT COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

#### NOTE 2 – PROPERTY TAXES

Property Tax Revenues – Property taxes are normally levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund. The usual collection date is the period from November 1 through December 31. Property tax bills paid prior to December 1 receive a two percent discount. Property taxes received after December 31, are considered to be delinquent and the County Attorney can file a lien against the property.

The property tax rates assessed for the year ended June 30, 2013, to finance operations were \$.453 per \$100 valuation for real property, \$.453 per \$100 valuation for business personal property and \$.548 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. The District also levies an occupational license tax of 0.5%.

#### NOTE 3 – DEPOSITS AND INVESTMENTS

##### Deposits

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. The District's policy is to have all deposits secured by pledged securities. At June 30, 2013, \$20,550,014 of the District's bank balance of \$21,329,349 was exposed to custodial credit risk. The bank balance not covered by depository insurance was collateralized by securities held by the pledging financial institution.

##### Investments

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

	<u>Fair Value</u>	<u>Average Credit Quality Ratings</u>	<u>More Than 10</u>
Small Business Administration	\$ 4,314,304	Unrated	\$ 4,314,304

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

- Obligations of the United States and of its agencies and instrumentalities;
- Obligations of any corporation of the United States Government;
- Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency;
- Commercial paper rated in the highest category by a nationally recognized rating agency;
- Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities;
- Bankers' acceptances for banks rated in one (1) of the three (3) highest categories by a nationally recognized rating agency;

**SCOTT COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

**NOTE 3 – DEPOSITS AND INVESTMENTS – CONTINUED**

- Uncollateralized certificates of deposit issued by any bank or savings and loan institution rated in one (1) of the three (3) highest categories by a nationally recognized rating agency;. Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations, including surety bonds, permitted by KRS 41.240(4)
- Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States, and rated in one (1) of the three (3) highest categories by a nationally recognized rating agency; and
- Shares of mutual funds, each of which shall have the following characteristics:
  1. The mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended;
  2. The management company of the investment company shall have been in operation for at least five (5) years; and
  3. All of the securities in the mutual fund shall be eligible investments pursuant to this section.

**Interest Rate Risk** is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. **Concentration of Credit Risk** is the risk of loss attributed to the magnitude of the District’s investment in a single issuer. U.S. Government securities and investments in mutual funds are excluded from this risk. The District has all of its investment in a Small Business Administration investment. **Custodial Credit Risk** is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District’s investment is held by the counterparty in the District’s name. The investment is collateralized at 105%.

**NOTE 4 – INTERFUND ACTIVITIES**

The following transfers were made during the year:

**Fund Financial Statements**

From Fund	To Fund	Purpose	Amount
General	Child Care	Operations	\$ 53,610
General	Special Revenue	KETS	37,454
Special Revenue	General	Indirect Costs	61,439
Capital Outlay	General	Capital Funds Request	729,746
Capital Outlay	Construction	Construction	32,621
Capital Outlay	Debt Service	Debt Service	159,486
FSPK	Debt Service	Debt Service	7,589,946
Construction	Debt Service	Debt Service	12,091
Construction	Special Revenue	KETS	82,398
Food Service	General	Indirect Costs	60,000
			<b>\$ 8,818,791</b>

**Government-wide Financial Statements**

Business-Type Activities	Governmental Activities	Indirect Costs	\$ 60,000
Governmental Activities	Business-Type Activities	Operations	53,610
Governmental Activities	Business-Type Activities	Equipment	23,561

**SCOTT COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

**NOTE 5 – CAPITAL ASSETS**

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

Governmental Activities	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
<b>Non-Depreciable Assets:</b>				
Land	\$ 6,463,345	\$ -	\$ -	\$ 6,463,345
Construction in progress	5,095,625	15,198,120	(2,340,618)	17,953,127
<b>Depreciable Assets:</b>				
Land improvements	3,595,919	327,240		3,923,159
Buildings and improvements	147,824,508	1,989,818		149,814,326
Technology equipment	6,009,385	117,064	(542,595)	5,583,854
Vehicles	6,319,197	264,062	(15,000)	6,568,259
General equipment	2,392,433	23,005	(21,273)	2,394,165
Totals at historical cost	177,700,412	17,919,309	(2,919,486)	192,700,235
<b>Accumulated depreciation:</b>				
Land improvements	1,708,416	173,189		1,881,605
Buildings and improvements	37,335,663	3,649,636		40,985,299
Technology equipment	4,781,739	443,967	(529,447)	4,696,259
Vehicles	3,553,397	466,687	(15,000)	4,005,084
General equipment	1,399,744	173,734	(19,767)	1,553,711
Total accumulated depreciation	48,778,959	4,907,213	(564,214)	53,121,958
Governmental Activities Capital Assets - Net	<u>\$ 128,921,453</u>	<u>\$ 13,012,096</u>	<u>\$ (2,355,272)</u>	<u>\$ 139,578,277</u>
<b>Depreciation was charged to governmental functions as follows:</b>				
Instruction	\$ 4,180,946			
Student support	68,919			
Instructional staff support	14,806			
District administration	26,727			
School administration	10,536			
Business support	23,397			
Plant	91,846			
Transportation	490,036			
	<u>\$ 4,907,213</u>			
<b>Business-Type Activities</b>				
Technology equipment	\$ 151,166	\$ -	\$ (40,033)	\$ 111,133
Vehicles	3,090			3,090
General equipment	2,130,827	23,561	(3,998)	2,150,390
Totals at historical cost	2,285,083	23,561	(44,031)	2,264,613
<b>Accumulated depreciation:</b>				
Technology equipment	102,495	14,127	(40,033)	76,589
Vehicles	3,038	52		3,090
General equipment	1,223,122	135,996	(3,998)	1,355,120
Total accumulated depreciation	1,328,655	150,175	(44,031)	1,434,799
Business-type Activities Capital Assets - Net	<u>\$ 956,428</u>	<u>\$ (126,614)</u>	<u>\$ -</u>	<u>\$ 829,814</u>

**SCOTT COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

**NOTE 6 – RISK MANAGEMENT**

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

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

**NOTE 7 – LONG-TERM LIABILITIES**

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

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Bonds and Leases Payable:					
Revenue bonds	\$116,065,000	\$ 35,455,000	\$ 31,460,000	\$ 120,060,000	\$ 5,360,000
Capital leases	1,671,489		239,327	1,432,162	239,455
Less Premium (Discount)	(916,444)	1,672,596	15,313	771,465	-
Less Deferred Amount on Refundings	(958,841)	(2,000,241)	162,754	(2,796,328)	-
<b>Total Bonds and Leases Payable</b>	<b>115,861,204</b>	<b>35,127,355</b>	<b>31,877,394</b>	<b>119,467,299</b>	<b>5,599,455</b>
Other Liabilities:					
Compensated absences	1,095,828	265,358	273,120	1,088,066	235,377
Claims	-	862,353	-	862,353	-
<b>Total Other Liabilities</b>	<b>1,095,828</b>	<b>1,127,711</b>	<b>273,120</b>	<b>1,950,419</b>	<b>235,377</b>
<b>Total Governmental Activities Long-Term Liabilities</b>	<b>\$116,957,032</b>	<b>\$ 36,255,066</b>	<b>\$ 32,150,514</b>	<b>\$ 121,417,718</b>	<b>\$ 5,834,832</b>

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

**SCOTT COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

**NOTE 7 – LONG-TERM LIABILITIES – CONTINUED**

Bond Liabilities

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

Issue Date	Original Proceeds	Rates	Issue Date	Original Proceeds	Rates
2004	\$ 12,100,000	2.00% - 4.30%	2010B REF	11,550,000	0.40% - 2.60%
2004B	4,500,000	2.50% - 5.00%	2011 REF	12,030,000	1.00% - 3.20%
2005	22,125,000	3.00% - 4.375%	2012	20,250,000	2.00% - 3.40%
2007	8,200,000	4.00% - 4.25%	2012B	3,000,000	2.00% - 2.75%
2007B	12,400,000	4.00% - 4.30%	2012C	8,905,000	2.00% - 2.125%
2008	7,650,000	3.50% - 3.90%	2013	8,000,000	2.00% - 3.00%
2008 REF	1,835,000	2.00% - 3.25%	2013B	15,110,000	2.00% - 4.50%
2009	15,000,000	3.00% - 4.375%	2013 ENERGY	440,000	1.50% - 3.00%
2010 REF	3,720,000	2.00% - 3.375%			

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

The District has “participation agreements” with the Kentucky School Facilities Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The 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.

On October 1, 2012, the District issued \$3,000,000 in Refunding Revenue Bonds with an average interest rate of 2.36 percent to advance refund \$2,715,000 of outstanding 2004B Series revenue bonds. The refunding was a partial advance refunding. The net proceeds of \$2,957,149 (after \$37,600 in cost of issuance, \$1,364 in bond discount and \$3,887 in interest which was deposited in the bond payment fund) were used to purchase U.S. Government securities. These securities were deposited in an irrevocable trust to call the bonds.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$242,149. This difference, reported in the accompanying government-wide financial statements as a deduction from bonds payable, is being charged to operations through the year 2024 using the effective-interest method.

The District completed the refunding to reduce its total debt service payments over the next 12 years by \$227,650 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$198,949. The 2004B bonds will be called on June 1, 2014. Therefore the \$2,715,000 is considered defeased.

## SCOTT COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

#### NOTE 7 – LONG-TERM LIABILITIES - CONTINUED

On December 1, 2012, the District issued \$8,905,000 in Refunding Revenue Bonds with an average interest rate of 2.14 percent to advance refund \$8,270,000 of outstanding 2004 Series revenue bonds. The refunding was a partial advance refunding. The net proceeds of \$8,768,552 (after \$65,620 in cost of issuance, \$69,834 in bond discount and \$994 in interest which was deposited in the bond payment fund) were used to purchase U.S. Government securities. These securities were deposited in an irrevocable trust to call the bonds.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$498,552. This difference, reported in the accompanying government-wide financial statements as a deduction from bonds payable, is being charged to operations through the year 2024 using the effective-interest method.

The District completed the refunding to reduce its total debt service payments over the next 12 years by \$1,001,606 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$890,565. The 2004 bonds will be called on March 1, 2014. Therefore the \$2,715,000 is considered defeased.

On March 1, 2013, the District issued \$15,110,000 in Refunding Revenue Bonds with an average interest rate of 2.42 percent to advance refund \$15,670,000 of outstanding 2005 Series revenue bonds. The refunding was a partial advance refunding. The net proceeds of \$16,929,540 (after \$89,690 in cost of issuance, \$1,910,145 in bond premium and \$915 in interest which was deposited in the bond payment fund) were used to purchase U.S. Government securities. These securities were deposited in an irrevocable trust to call the bonds.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,259,540. This difference, reported in the accompanying government-wide financial statements as a deduction from bonds payable, is being charged to operations through the year 2025 using the effective-interest method.

The District completed the refunding to reduce its total debt service payments over the next 12 years by \$1,413,140 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$1,223,274. The 2005 bonds will be called on January 1, 2015. Therefore the \$15,670,000 is considered defeased.

On March 1, 2013, the District issued \$8,000,000 in 2013 Series Revenue Bonds with an average interest rate of 3.02 percent for Lemons Mill Elementary. The net proceeds of \$7,800,091 (after \$52,000 in cost of issuance, \$160,000 of discount and \$12,091 of interest) were deposited \$7,788,000 in the Construction Fund and \$12,091 in the Debt Service Fund.

On June 1, 2013, the District issued \$440,000 in 2013 Series Energy Revenue Bonds with an average interest rate of 2.33 percent for lighting and HVAC updates. The net proceeds of \$426,783 (after \$7,153 in cost of issuance, \$6,350 of discount and \$286 of interest) were deposited \$426,497 in the Construction Fund and \$286 in the Debt Service Fund.

**SCOTT COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

**NOTE 7 – LONG-TERM LIABILITIES – CONTINUED**

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:

Year	Principal	Interest	Participation	District's Portion
2014	\$ 5,360,000	\$ 3,871,035	\$ 1,342,592	\$ 7,888,443
2015	5,350,000	3,810,931	1,330,863	7,830,068
2016	5,420,000	3,688,525	1,276,729	7,831,796
2017	5,565,000	3,547,483	1,276,731	7,835,752
2018	5,720,000	3,393,595	1,276,731	7,836,864
2019-2023	30,185,000	14,426,449	5,448,675	39,162,774
2024-2028	34,685,000	9,200,871	4,161,413	39,724,458
2029-2033	27,775,000	2,393,346	2,636,947	27,531,399
	<u>\$ 120,060,000</u>	<u>\$ 44,332,235</u>	<u>\$ 18,750,681</u>	<u>\$ 145,641,554</u>

Capital Lease Liabilities

The following is an analysis of the leased property under capital lease by class:

Classes of Property

Buses

Gross amount of assets	\$ 2,323,184
Accumulated amortization	1,017,457

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

2014	\$ 286,886
2015	287,058
2016	278,060
2017	266,677
2018	224,114
2019-2021	266,814
Total minimum lease payments	1,609,609
Less: Amount representing interest	<u>(177,447)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 1,432,162</u>

## SCOTT COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

#### NOTE 8 – PENSION PLANS

##### Plan Descriptions

The Scott County School District participates in the Teachers' Retirement System of the State of Kentucky, a component unit of the Commonwealth of Kentucky (KTRS) and the County Employees' Retirement System, a component unit of the Commonwealth of Kentucky (CERS), cost-sharing multiple-employer defined benefit plans. KTRS and CERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. KTRS is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). Under the provisions of KRS Section 61.645, the Board of Trustees of Kentucky Retirement Systems (KERS) administers the CERS. The KTRS and CERS issue a publicly available financial report that includes financial statements and required supplementary information. KTRS' report may be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601-3800 or by calling (502) 573-3266. CERS' report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601-6124 or by calling (502) 564-5656.

##### Funding Policy

KTRS plan members are required to contribute 10.855% of their covered salary. CERS plan members are required to contribute 5.0% (6.0% for new hires effective July 1, 2008) of their covered salary. The District is required to contribute to the CERS and the Commonwealth of Kentucky is required to contribute to the KTRS. The contribution rate is actuarially determined. The current rate for KTRS is 14.105% of annual covered payroll. The rate for CERS fiscal year 2013 is 19.55% of annual covered payroll. The contribution requirements of the plan members, the District and Commonwealth of Kentucky are established and may be amended by the Plans' Board of Trustees. The District's contributions to CERS for the years ended June 30, 2013, 2012 and 2011 were \$2,020,095, \$1,931,332 and \$1,631,291, respectively, equal to the required contributions for each year.

For the year ended June 30, 2013, the Commonwealth contributed \$4,123,715 to KTRS for the benefit of the District's participating employees. The District's contributions to the KTRS for the year ended June 30, 2013 were \$404,232.

The amount recognized for revenues and expenditures for on-behalf payments relating to fringe benefits such as pension and health care costs, and other operating costs, for the year ended June 30, 2013 was \$10,274,241 for governmental funds and \$500,797 for proprietary funds (\$488,357 for the Food Service Fund and \$12,440 for the Child Care Fund).

##### Medical Insurance Plan

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

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

## SCOTT COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

#### NOTE 8 – PENSION PLANS – CONTINUED

##### Funding Policy

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

##### Deferred Compensation

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Sections 457, 401(k) and 403(b). The Plans, available to all employees, permits them to defer a portion of their salary until future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, allows entities with little or no administrative involvement who do not perform the investing function for these plans to omit plan assets and related liabilities from their financial statements. The District, therefore, does not show these assets and liabilities on these financial statements.

#### NOTE 9 – FUND BALANCES

Nonspendable fund balances are those that cannot be spent on future obligations. At June 30, 2013, there were no \$431,754 nonspendable fund balances for prepaids (\$422,979 in the General Fund and \$8,775 in the Special Revenue Fund).

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. At June 30, 2013, the District had \$459,374 restricted for grants in the special revenue fund, \$202 restricted for capital projects in the SEEK Capital Outlay Fund, \$1,368 restricted for capital projects in the FSPK Fund, \$9,537,998 restricted for capital projects in the Construction Fund and \$55,167 restricted for debt service in the debt service fund.

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. The District had the following commitments at June 30, 2013 in the General Fund - \$497,136 for SBDM carryforward, \$554,855 for compensated absences, \$149,813 for vocational funds, \$250,000 for occupation license tax refunds, \$300,000 for textbooks, \$862,353 for KSBIT assessment, \$1,095,030 for personnel and \$10,287 for internal services.

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. The District had the following assignments at June 30, 2013 in the General Fund - \$1,230,406 for purchase orders, \$2,200 for property assessment appeals, \$161,007 for Lemons Mill Phase I start-up and \$324,271 for school extended day/after school funds.

## SCOTT COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

#### NOTE 9 – FUND BALANCES – CONTINUED

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

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

#### NOTE 10 – COMMITMENTS AND CONTINGENCIES

The District receives funding from Federal, State and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor's review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

The District is subject to various other legal actions in various stages of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the basic financial statements as a result of the cases presently in progress. Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the School District at risk for a substantial loss. The District also has construction commitments for on-going projects at June 30, 2013.

On January 14, 2013 the District was notified that in order to settle outstanding claims and deficits of the Kentucky School Boards Insurance Trust (KSBIT), a non-profit self-insured pool, an assessment would be made to present and prior insurance trust members. On June 26, 2013, members were notified that the KSBIT board voted on June 24, 2013 to submit a plan for the assessment to the Kentucky Department of Insurance in favor of a novation option, under which a highly rated reinsurer would assume all of the liabilities of KSBIT and its members for claims for a set amount. The option resulted in an estimated liability for the District of \$862,353. This estimate is recorded because the payment is probable and reasonably estimable. The estimate is recorded as a noncurrent liability in the Statement of Net Position as it is not expected to be paid by June 30, 2014, and as an extraordinary item in the Statement of Activities because the item is unusual in nature and infrequent in occurrence. The estimate is not recorded in the Statement of Revenues, Expenditures and Changes in Fund Balances because the amount has not been billed and is not mature.

#### NOTE 11 – DEFICIT OPERATING BALANCES

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

Special Revenue Fund	\$	10,134
SEEK Capital Outlay Fund		113,447
Construction Fund		7,074,502
Debt Service Fund		11,585
Food Service Fund		88,759

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCOTT COUNTY SCHOOL DISTRICT**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL**

**GENERAL FUND**

Year Ended June 30, 2013

	<u>Original</u>	<u>Final</u>	<u>Actual</u>
<b>Revenues:</b>			
From local sources:			
Taxes:			
Property	\$ 10,201,146	\$ 10,546,680	\$ 10,697,636
Occupational license	2,985,000	3,165,145	3,915,364
Motor vehicle	1,797,500	1,812,266	1,928,604
Utilities	3,691,000	3,781,000	3,710,454
Tuition and fees			-
Earnings on investments	64,000	67,000	80,193
Other local revenues	904,341	1,526,740	1,884,816
Intergovernmental - State	26,790,690	37,491,600	37,459,593
Intergovernmental - Indirect Federal	10,000	12,000	16,849
Intergovernmental - Direct Federal	61,500		
<b>Total Revenues</b>	<u>46,505,177</u>	<u>58,402,431</u>	<u>59,693,509</u>
<b>Expenditures:</b>			
Instruction	28,203,492	37,886,254	36,402,958
Support services:			
Student	2,978,782	3,756,829	3,736,429
Instruction staff	2,017,630	2,378,830	2,267,586
District administrative	962,905	1,055,778	1,011,633
School administrative	2,903,557	3,789,416	3,594,609
Business	1,000,089	1,027,944	927,201
Plant operation and maintenance	5,273,228	6,021,522	5,532,682
Student transportation	3,529,895	4,393,272	4,296,228
Community service activities	753,287	1,102,596	1,075,314
Other non-instruction	1,353,058	2,531,515	294,735
<b>Total Expenditures</b>	<u>48,975,923</u>	<u>63,943,956</u>	<u>59,139,375</u>
<b>Excess (Deficit) of Revenues over Expenditures</b>	(2,470,746)	(5,541,525)	554,134
<b>Other Financing Sources (Uses):</b>			
Insurance proceeds		62,975	62,975
Proceeds from sale of capital assets		99,961	100,953
Transfers in	209,376	844,604	851,185
Transfers out	(53,600)	(248,170)	(91,064)
<b>Total Other Financing Sources (Uses)</b>	<u>155,776</u>	<u>759,370</u>	<u>924,049</u>
<b>Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses</b>	(2,314,970)	(4,782,155)	1,478,183
<b>Fund Balance, July 1, 2012</b>	<u>2,314,970</u>	<u>4,782,155</u>	<u>7,388,510</u>
<b>Fund Balance, June 30, 2013</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,866,693</u>

Both inflows and outflows are equally different in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds by the amount of on-behalf payments of \$10,274,241.

**SCOTT COUNTY SCHOOL DISTRICT**

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL

SPECIAL REVENUE FUND

Year Ended June 30, 2013

	<u>Original</u>	<u>Final</u>	<u>Actual</u>
<b>Revenues:</b>			
Earnings on investments	\$ -	\$ 1,320	\$ 1,636
Other local revenues		47,262	104,051
Intergovernmental - State	1,991,040	2,422,402	2,314,587
Intergovernmental - Indirect Federal	<u>3,419,607</u>	<u>6,005,408</u>	<u>4,216,280</u>
<b>Total Revenues</b>	5,410,647	8,476,392	6,688,390
<b>Expenditures:</b>			
Instruction	4,707,697	6,414,376	4,296,708
Support services:			
Student	127,602	173,427	564,308
Instruction staff	92,546	1,665,211	997,533
School administrative		193,855	186,916
Plant operation and maintenance			8,928
Student transportation			171,628
Community service activities	448,315	502,893	489,068
Other non-instruction		<u>41,500</u>	<u>41,848</u>
<b>Total Expenditures</b>	<u>5,376,160</u>	<u>8,991,262</u>	<u>6,756,937</u>
<b>Excess (Deficit) of Revenues over Expenditures</b>	34,487	(514,870)	(68,547)
<b>Other Financing Sources (Uses):</b>			
Transfers in		119,840	119,852
Transfers out	<u>(34,487)</u>	<u>(83,252)</u>	<u>(61,439)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(34,487)</u>	<u>36,588</u>	<u>58,413</u>
<b>Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses</b>	-	(478,282)	(10,134)
<b>Fund Balance, July 1, 2012</b>	<u>-</u>	<u>478,282</u>	<u>478,283</u>
<b>Fund Balance, June 30, 2013</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 468,149</u>

**SUPPLEMENTARY INFORMATION**

**SCOTT COUNTY SCHOOL DISTRICT**

**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2013

	SEEK Capital Outlay Fund	Debt Service Fund	Total Nonmajor Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 202	\$ 62,167	\$ 62,369
<b>Total Assets</b>	<u>\$ 202</u>	<u>\$ 62,167</u>	<u>\$ 62,369</u>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities</b>			
Accounts payable	\$ -	\$ 7,000	\$ 7,000
<b>Total Liabilities</b>	<u>-</u>	<u>7,000</u>	<u>7,000</u>
<b>Fund Balances</b>			
Restricted	<u>202</u>	<u>55,167</u>	<u>55,369</u>
<b>Total Fund Balances</b>	<u>202</u>	<u>55,167</u>	<u>55,369</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 202</u>	<u>\$ 62,167</u>	<u>\$ 62,369</u>

**SCOTT COUNTY SCHOOL DISTRICT**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**

Year Ended June 30, 2013

	SEEK Capital Outlay Fund	Debt Service Fund	Total Nonmajor Governmental Funds
<b>Revenues</b>			
From local sources:			
Property taxes	\$ -	\$ -	\$ -
Earnings on investments	110	51,296	51,406
Other local revenue			-
Intergovernmental - State	767,196	992,040	1,759,236
<b>Total Revenues</b>	767,306	1,043,336	1,810,642
<b>Expenditures</b>			
Bond issue costs		192,910	192,910
Debt service:			
Principal		4,805,000	4,805,000
Interest		4,017,238	4,017,238
<b>Total Expenditures</b>	-	9,015,148	9,015,148
<b>Excess (Deficit) of Revenues over Expenditures</b>	767,306	(7,971,812)	(7,204,506)
Other Financing Sources (Uses)			
Bond proceeds from refunding bonds		27,015,000	27,015,000
Bond discount/premium		1,838,946	1,838,946
Payment to refunded bond escrow agent		(28,655,242)	(28,655,242)
Transfers in		7,761,523	7,761,523
Transfers out	(880,753)		(880,753)
<b>Total Other Financing Sources (Uses)</b>	(880,753)	7,960,227	7,079,474
<b>Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses</b>	(113,447)	(11,585)	(125,032)
<b>Fund balance, July 1, 2012</b>	113,649	66,752	180,401
<b>Fund balance, June 30, 2013</b>	\$ 202	\$ 55,167	\$ 55,369

SCOTT COUNTY SCHOOL DISTRICT

COMBINING STATEMENT OF FIDUCIARY NET POSITION

AGENCY FUNDS

June 30, 2013

	Anne Mason Elementary	Eastern Elementary	Elkhorn Crossing	Garth Elementary	Georgetown Middle	Northern Elementary	Royal Spring Elementary
<b>Assets</b>							
Cash and cash equivalents	\$ 53,669	\$ 26,632	\$ 4,968	\$ 180,325	\$ 54,217	\$ 30,869	\$ 71,439
Receivables	192	36	-	205	40	-	-
<b>Total Assets</b>	<u>\$ 53,861</u>	<u>\$ 26,668</u>	<u>\$ 4,968</u>	<u>\$ 180,530</u>	<u>\$ 54,257</u>	<u>\$ 30,869</u>	<u>\$ 71,439</u>
<b>Liabilities</b>							
Accounts payable	\$ -	\$ -	\$ 696	\$ 3,295	\$ 2,523	\$ 904	\$ -
Due to student groups	53,861	26,668	4,272	177,235	51,734	29,965	71,439
<b>Total Liabilities</b>	<u>\$ 53,861</u>	<u>\$ 26,668</u>	<u>\$ 4,968</u>	<u>\$ 180,530</u>	<u>\$ 54,257</u>	<u>\$ 30,869</u>	<u>\$ 71,439</u>
	Scott County High School	Scott County Middle School	Scott County Ninth Grade	Southern Elementary	Stamping Ground Elementary	Western Elementary	Agency Fund
<b>Assets</b>							
Cash and cash equivalents	\$ 340,252	\$ 103,401	\$ 47,895	\$ 52,462	\$ 42,975	\$ 35,059	\$ 1,044,163
Receivables	223	-	146	7,660	-	-	8,502
<b>Total Assets</b>	<u>\$ 340,475</u>	<u>\$ 103,401</u>	<u>\$ 48,041</u>	<u>\$ 60,122</u>	<u>\$ 42,975</u>	<u>\$ 35,059</u>	<u>1,052,665</u>
<b>Liabilities</b>							
Accounts payable	\$ 26,400	\$ 5,499	\$ 759	\$ 5,089	\$ -	\$ -	\$ 45,165
Due to student groups	314,075	97,902	47,282	55,033	42,975	35,059	1,007,500
<b>Total Liabilities</b>	<u>\$ 340,475</u>	<u>\$ 103,401</u>	<u>\$ 48,041</u>	<u>\$ 60,122</u>	<u>\$ 42,975</u>	<u>\$ 35,059</u>	<u>\$ 1,052,665</u>

SCOTT COUNTY SCHOOL DISTRICT

SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES

YEAR ENDED JUNE 30, 2013

NAME OF ACTIVITY	CASH		DISBURSE- MENTS	CASH		RECEIVABLES June 30, 2013	ACCOUNTS PAYABLE June 30, 2013	DUE TO STUDENT GROUPS June 30, 2013
	BALANCES July 1, 2012	RECEIPTS		BALANCES June 30, 2013				
Anne Mason Elementary	\$ 159,618	\$ 357,768	\$ 463,717	\$ 53,669	192	-	\$ 53,861	
Eastern Elementary	89,885	217,719	280,972	26,632	36	-	26,668	
Garth Elementary	144,662	374,852	339,189	180,325	205	3,295	177,235	
Northern Elementary	68,896	108,248	146,275	30,869	-	904	29,965	
Southern Elementary	107,311	315,692	370,541	52,462	7,660	5,089	55,033	
Stamping Ground Elementary	86,452	122,728	166,205	42,975	-	-	42,975	
Western Elementary	252,492	436,664	654,097	35,059	-	-	35,059	
Elkhorn Crossing	6,288	32,865	34,185	4,968	-	696	4,272	
Georgetown Middle	78,800	146,752	171,335	54,217	40	2,523	51,734	
Royal Spring Middle	90,006	194,623	213,190	71,439	-	-	71,439	
Scott County Middle	109,028	222,711	228,338	103,401	-	5,499	97,902	
Scott County Ninth Grade	29,311	69,150	50,566	47,895	146	759	47,282	
Scott County High	298,825	1,001,658	960,231	340,252	223	26,400	314,075	
	<u>\$ 1,521,574</u>	<u>\$ 3,601,430</u>	<u>\$ 4,078,841</u>	<u>\$ 1,044,163</u>	<u>\$ 8,502</u>	<u>\$ 45,165</u>	<u>\$ 1,007,500</u>	

SCOTT COUNTY SCHOOL DISTRICT

SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES

SCOTT COUNTY HIGH SCHOOL

YEAR ENDED JUNE 30, 2013

NAME OF ACTIVITY	CASH		DISBURSE- MENTS	CASH		RECEIVABLES June 30, 2013	ACCOUNTS PAYABLE June 30, 2013	DUE TO STUDENT GROUPS June 30, 2013
	BALANCES July 1, 2012	RECEIPTS		BALANCES June 30, 2013				
ACADEMIC TEAM	\$ 299	\$ 312	\$ 567	\$ 44	\$ -	\$ -	\$ 44	
ADVANCED PLACEMENT	13,435	73,024	66,362	20,097	-	3,412	16,685	
AFJROTC	4,650	19,036	18,499	5,187	-	1,200	3,987	
AFJROTC-UA	370	-	370	-	-	-	-	
AFJROTC-CADET MEDALS	-	-	-	-	-	-	-	
AFJROTC-CADET TL	584	-	584	-	-	-	-	
AF LOGISTIC SUPPORT	-	-	-	-	-	-	-	
AG DEPT FARM	13,004	3,241	2,665	13,580	-	-	13,580	
AG DEPT FARM CD	-	-	-	-	-	-	-	
ALTERNATIVE PROGRAM	-	-	-	-	-	-	-	
ANNUAL	19,353	4,350	5,236	18,467	-	-	18,467	
AP CLUB	-	1,465	1,465	-	-	-	-	
AP GRANT	200	-	-	200	-	-	200	
AQUAPONICS PROJECT	-	-	-	-	-	-	-	
ARCHERY	-	1,771	1,771	-	-	-	-	
ART EXPLORERS	95	313	213	195	-	-	195	
ART FEES	1,153	610	599	1,164	-	-	1,164	
ATH-BAND ACTIVITIES	-	-	-	-	-	-	-	
ATHLETIC GENERAL	-	68,545	67,845	700	-	-	700	
ATHLETIC OFFICE	-	10,505	10,504	1	-	-	1	
ATHLETIC TRAINER	190	2,030	2,080	140	-	-	140	
AUDITORIUM RENTAL	3,500	4,000	-	7,500	-	-	7,500	
BAND	4,131	4,258	2,927	5,462	223	-	5,685	
BASEBALL	3,114	14,858	13,785	4,187	-	-	4,187	
BASEBALL DISTRICTS	-	-	-	-	-	-	-	
BASKETBALL CONCESSIONS	-	40	40	-	-	-	-	
BETA CLUB	10	15,807	12,894	2,923	-	-	2,923	
BEVINS FFA DONATION	3,000	-	-	3,000	-	-	3,000	
BIOMED SCIENCE	-	-	-	-	-	-	-	
BOWLING CLUB	-	-	-	-	-	-	-	
BOWLING	1,813	7,754	6,643	2,924	-	-	2,924	
BOYS BASKETBALL	1,970	39,297	40,976	291	-	200	91	
BOYS BSKT BALL	-	1,837	1,837	-	-	-	-	
BOYS BSKT STATE	35	-	-	35	-	-	35	
BOYS GOLF	2,227	13,653	11,102	4,778	-	524	4,254	
BOYS SOCCER	3,220	8,110	5,615	5,715	-	-	5,715	
BOYS TENNIS	92	2,978	1,652	1,418	-	-	1,418	
BOYS TENNIS BOOSTER	1,500	-	1,500	-	-	-	-	
BOYS TRACK	299	6,665	6,174	790	-	740	50	
BSKT GATE RECEIPTS	-	-	-	-	-	-	-	
BUSINESS FEES	2,995	900	2,502	1,393	-	200	1,193	
CARDINAL CHALLENGE	798	22,110	21,946	962	-	-	962	
CBI	8	2,257	2,100	165	-	-	165	
CBI 2	-	2,712	2,488	224	-	-	224	
CHEER	993	27,452	17,590	10,855	-	3,050	7,805	
CHEER BOOSTERS	2,481	-	2,481	-	-	-	-	
CHESS CLUB	146	-	-	146	-	-	146	
CHILDCARE ACCT	619	-	85	534	-	-	534	
CHORAL	4,624	147,476	149,528	2,572	-	-	2,572	
COMPUTER LAB	-	-	-	-	-	-	-	
CONCESSIONS FTBL VAR	539	-	92	447	-	-	447	
CO-OP	215	1,072	1,130	157	-	-	157	
CORPORATE SPONSORS	1,402	21,315	16,353	6,364	-	-	6,364	
COURTESY COMMITTEE	152	1,147	1,238	61	-	-	61	
CROSS COUNTRY	829	1,625	654	1,800	-	-	1,800	
CSI	-	-	-	-	-	-	-	
CULTURAL EXCHANGE	-	-	-	-	-	-	-	
CUTTER FOREIGN	74	-	-	74	-	-	74	
DANCE TEAM	2,159	7,857	9,404	612	-	-	612	
DECA	1,075	43,605	44,224	456	-	-	456	
DRAMA	11,300	17,880	18,662	10,518	-	-	10,518	
ENVIRONMENTAL CLUB	266	285	551	-	-	-	-	
FACULTY SNACK MACHINE	1	125	126	-	-	-	-	
FACULTY VENDING	339	69	332	76	-	-	76	
FBLA	1,488	2,268	3,370	386	-	-	386	
FCA	110	1,300	-	1,410	-	-	1,410	

SCOTT COUNTY SCHOOL DISTRICT

SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES

SCOTT COUNTY HIGH SCHOOL- CONTINUED

YEAR ENDED JUNE 30, 2013

NAME OF ACTIVITY	CASH		DISBURSE- MENTS	CASH		RECEIVABLES June 30, 2013	ACCOUNTS PAYABLE June 30, 2013	DUE TO STUDENT GROUPS June 30, 2013
	BALANCES July 1, 2012	RECEIPTS		BALANCES June 30, 2013				
FCCLA	406	2,635	2,520	521	-	-	-	521
FEA	974	50	-	1,024	-	-	-	1,024
FFA	5,107	45,884	44,375	6,616	-	150	-	6,466
FIELD TRIP	594	3,373	3,861	106	-	-	-	106
FIRST CARDINAL	3,489	-	-	3,489	-	-	-	3,489
FISTER SCHOLARSHIP	3,605	-	250	3,355	-	-	-	3,355
FMD ACTIVITIES- 229 & 343	368	1,089	1,229	228	-	-	-	228
FMD 2	-	5,475	3,695	1,780	-	-	-	1,780
FOOTBALL	71	83,091	83,048	114	-	-	-	114
FOOTBALL STATEFINALS	1	-	-	1	-	-	-	1
FOREIGN LANGUAGE	655	1,353	741	1,267	-	-	-	1,267
FRENCH CLUB	364	195	189	370	-	-	-	370
FRISBEE	-	-	-	-	-	-	-	-
GENERAL FUND	12	1,496	1,484	24	-	-	-	24
GERMAN CLUB	55	1,145	1,124	76	-	-	-	76
GIRLS BASKETBALL	4,398	23,544	27,898	44	-	-	-	44
GIRLS BSKT STATE	-	-	-	-	-	-	-	-
GIRLS GOLF	-	10,194	10,145	49	-	48	-	1
GIRLS SOCCER	9,661	9,191	7,587	11,265	-	6,500	-	4,765
GIRLS SOCCER BOOSTERS	-	-	-	-	-	-	-	-
GIRLS SOCCER DISTRICT	-	1,210	1,210	-	-	-	-	-
GIRLS TENNIS	3,543	2,473	2,148	3,868	-	-	-	3,868
GIRLS TENNIS BOOSTERS	946	-	946	-	-	-	-	-
GIRLS TRACK	335	5,997	5,399	933	-	740	-	193
GO CLUB	-	-	-	-	-	-	-	-
GUIDANCE RECOVERY	938	645	1,285	298	-	65	-	233
H4H	-	-	-	-	-	-	-	-
HANTIS	-	495	110	385	-	-	-	385
HALL OF FAME	-	4,881	4,881	-	-	-	-	-
HELPERS FOR HUMANITY	1	-	-	1	-	-	-	1
HISTORICAL SOCIETY	-	-	-	-	-	-	-	-
HOME ECONOMICS	2,425	4,519	4,433	2,511	-	-	-	2,511
HORTICULTURE	4,679	21,655	23,626	2,708	-	-	-	2,708
HOSA	-	-	-	-	-	-	-	-
HOSPITALITY ACCT	379	1,752	1,813	318	-	-	-	318
INTEREST	91	561	469	183	-	-	-	183
INTERNATIONAL CLUB	643	1,290	1,415	518	-	-	-	518
INTERVENTION PROGRAM	18,132	17,861	15,277	20,716	-	181	-	20,535
J/P OVERTIME	1,996	2,554	4,500	50	-	-	-	50
JAPAN-STUDENT TRIP	29	41,289	41,303	15	-	-	-	15
JAPANESE	604	5,355	4,911	1,048	-	-	-	1,048
JCB	313	570	267	616	-	-	-	616
JOURNALISM	-	170	34	136	-	-	-	136
JTF MEMORIAL FFA CD	3,991	-	-	3,991	-	-	-	3,991
JUNIOR CLASS	2,069	21,873	23,739	203	-	-	-	203
KEY CLUB	1,647	1,005	938	1,714	-	-	-	1,714
KNITTING CLUB	-	-	-	-	-	-	-	-
LACROSSE-BOYS	1,075	10,628	4,078	7,625	-	2,632	-	4,993
LACROSSE-GIRLS	75	2,773	1,956	892	-	75	-	817
LOCKER AND PLANNER	13,926	4,840	5,985	12,781	-	-	-	12,781
MATH FUND	1,332	325	629	1,028	-	-	-	1,028
NATIONAL HONOR SOCIETY	727	3,079	2,814	992	-	-	-	992
NEWSCAST	85	25	-	110	-	-	-	110
NEWSPAPER, YEARBOOK	-	-	-	-	-	-	-	-
OLYMPIAD OF SCIENCE	-	-	-	-	-	-	-	-
PEP CLUB	435	-	-	435	-	-	-	435
PRAYER CLUB	-	70	70	-	-	-	-	-
PSYCHOLOGY CLUB	484	865	785	564	-	-	-	564
RESERVED SEATING	710	9,605	10,096	219	-	-	-	219
SAMARITAN	-	-	-	-	-	-	-	-
SAVE-US	408	180	54	534	-	-	-	534
SCHS/BPFP 9-12	1,558	4,478	3,839	2,197	-	-	-	2,197
SCIENCE CLUB	-	-	-	-	-	-	-	-

SCOTT COUNTY SCHOOL DISTRICT

SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES

SCOTT HIGH SCHOOL- CONCLUDED

YEAR ENDED JUNE 30, 2013

NAME OF ACTIVITY	CASH		DISBURSE- MENTS	CASH		RECEIVABLES	ACCOUNTS PAYABLE	DUE TO STUDENT GROUPS
	BALANCES July 1, 2012	RECEIPTS		BALANCES June 30, 2013	June 30, 2013			
SCIENCE FEES	5,715	4,130	3,134	6,711	-	-	-	6,711
SENIOR/SENIOR	-	-	-	-	-	-	-	-
SENIOR CLASS	2,208	8,100	8,434	1,874	-	500	-	1,374
SMAC/LIBRARY	415	352	77	690	-	-	-	690
SOCIAL STUDIES	-	563	305	258	-	-	-	258
SOFTBALL	2,297	16,187	16,240	2,244	-	2,044	-	200
SOFTBALL DISTRICTS	-	55	-	55	-	-	-	55
SPANISH	-	-	-	-	-	-	-	-
SPEECH	345	-	-	345	-	-	-	345
STEP CLUB	-	-	-	-	-	-	-	-
STLP	-	-	-	-	-	-	-	-
THE STORE	-	3,117	2,580	537	-	-	-	537
STUDENT COUNCIL	5,409	3,076	3,119	5,366	-	-	-	5,366
STUDENT FEE	3,022	28,128	18,157	12,993	-	-	-	12,993
STUDENT INCENTIVE	1,309	11,233	7,473	5,069	-	984	-	4,085
STUDENT PASSES	3,604	3,815	4,620	2,799	-	-	-	2,799
STUDENT VENDING	1,258	-	301	957	-	-	-	957
SUSAN MOORE	-	-	-	-	-	-	-	-
SWAT	-	-	-	-	-	-	-	-
SWEET 16 BBSKT	-	-	-	-	-	-	-	-
SWIMMING	3,718	4,004	5,641	2,081	-	-	-	2,081
SWING CLUB	-	-	-	-	-	-	-	-
TAAC	215	-	-	215	-	-	-	215
TEACHER INCENTIVE	-	5,385	3,317	2,068	-	-	-	2,068
TEACHER SUB ACCT	-	-	-	-	-	-	-	-
TECHNOLOGY STUDENT	4,597	-	4,597	-	-	-	-	-
TEEN ACTIVISM	-	100	-	100	-	-	-	100
TEXTBOOK RENTAL	-	5,060	5,020	40	-	-	-	40.00
TOYOTA CLASSIC	36,901	82,866	90,040	29,727	-	500	-	29,227
TRANSPORTATION	294	17,303	17,303	294	-	-	-	294
TRI M HONORS	390	340	-	730	-	-	-	730
VO-AG	10,760	8,502	3,914	15,348	-	-	-	15,348
VOLLEYBALL	2,239	9,803	9,398	2,644	-	2,051	-	593
VOLLEYBALL DISTRICTS	-	-	-	-	-	-	-	-
WEBSITE	130	1,705	1,835	-	-	-	-	-
WORLD LANGUAGE	221	-	-	221	-	-	-	221
WRESTLING	3,469	4,665	3,853	4,281	-	504	-	3,777
YAADD	2,808	-	-	2,808	-	-	-	2,808
YOUNG DEMS	607	50	-	657	-	-	-	657
YOUNG FARMERS OF AMERICA	35	-	-	35	-	-	-	35
YOUNG HISTORIANS	-	-	-	-	-	-	-	-
YOUNG POLITICIANS	-	-	-	-	-	-	-	-
YOUNG REPUBLICANS	511	80	-	591	-	-	-	591
YOUTH ALIVE CLUB	174	305	47	432	-	100	-	332
YOUTH IMPACT CLUB	1,393	205	33	1,565	-	-	-	1,565
42ND BASKETBALL	-	10,199	10,199	-	-	-	-	-
4-H CLUB	588	-	-	588	-	-	-	588
CHARITABLE GAMING	-	-	-	-	-	-	-	-
Sub Total	298,825	1,196,981	1,155,554	340,252	223	26,400		\$ 314,075
Interfund Transfers	-	195,269	195,269	-	-	-		-
Total	\$ 298,825	\$1,001,712	\$ 960,285	\$ 340,252	\$ 223	\$ 26,400		\$ 314,075

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

SCOTT COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2013

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS THROUGH GRANTOR'S NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Child Nutrition Cluster -			
Passed Through State Department of Education:			
National School Lunch	10.555	7750002-12	\$ 332,365
		7750002-13	1,271,702
School Breakfast Program	10.553	7760005-12	107,067
		7760005-13	412,868
Summer Food Service Program for Children	10.559	7690024-12	1,101
		7740023-12	12,913
		7740023-13	17,389
Non-Cash Assistance (Commodities)			
National School Lunch Program	10.555	057502-02	228,357
<b>TOTAL CHILD NUTRITION CLUSTER</b>			<u>2,383,762</u>
<u>OTHER U.S. DEPARTMENT OF AGRICULTURE PROGRAMS</u>			
Passed Through State Department of Education:			
State Administrative Expenses	10.560	7850012-12	1,000
<b>TOTAL U.S. DEPT. OF AGRICULTURE</b>			<u>2,384,762</u>
<u>U.S. DEPARTMENT OF DEFENSE</u>			
National Guard Civilian Youth Opportunities	12.404	DIRECT	51,836
<b>TOTAL U.S. DEPARTMENT OF DEFENSE</b>			<u>51,836</u>
<u>U.S. DEPARTMENT OF LABOR</u>			
Passed through Bluegrass Area Development Cooperative			
WIA Youth Activities	17.259	5882A	1,014
		5883	30,500
		5883A	10,333
<b>TOTAL U.S. DEPARTMENT OF LABOR</b>			<u>41,847</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Special Education Cluster -			
Passed Through State Department of Education:			
Special Education - Grants to States	84.027	3371C	25,987
		3371P	4,368
		3372	1,150,526
		3372P	2,015
		3373	137,659
			<u>1,320,555</u>
Special Education - Preschool Grants	84.173	3432	41,889
		3433	20,015
			<u>61,904</u>
<b>TOTAL SPECIAL EDUCATION CLUSTER</b>			<u>1,382,459</u>
<u>OTHER U.S. DEPARTMENT OF EDUCATION PROGRAMS</u>			
Passed Through Kentucky Council on Postsecondary Education			
Adult Education - State Grant Program	84.002	3653	7,601
		3733	69,573
		3733S	801
			<u>77,975</u>

The accompanying notes are an integral part of this schedule.

SCOTT COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONCLUDED

YEAR ENDED JUNE 30, 2013

FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS THROUGH GRANTOR'S NUMBER	FEDERAL EXPENDITURES
Passed Through State Department of Education Title I Grants to Local Educational Agencies	84.010	3101 3101D 3101M 3102 3102D 3102M 3102T 3103 3103M 3201 3202 3203 3203E	3,353 16,266 332 301,221 275,626 20,765 400 981,213 3,703 792 31,909 128,697 193,338 <hr/> 1,957,615
Migrant Education - State Grant Program	84.011	3112 3113	46,625 62,872 <hr/> 109,497
Vocational Education - Basic Grants to States	84.048	3481A 3481B 3482 3482A 3483 3483B 3632	605 2,525 6,216 2,912 62,480 1,325 747 <hr/> 76,810
English Language Acquisition Grants	84.365	3451 3452 3452I	4,590 36,451 6,907 <hr/> 47,948
Improving Teacher Quality - State Grants	84.367	4012 4013	19,220 244,059 <hr/> 263,279
School Improvement Grants	84.377	4602	27,386
Education Jobs	84.410	4411	231,498
Race to the Top	84.413A	4521	1,686
TOTAL U.S. DEPARTMENT OF EDUCATION			4,176,153
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 6,654,598</u>

The accompanying notes are an integral part of this schedule.

**SCOTT COUNTY SCHOOL DISTRICT**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year Ended June 30, 2013

**NOTE A – BASIS OF PRESENTATION**

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

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the accrual basis of accounting for proprietary funds and the modified accrual basis of accounting for governmental funds. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

**NOTE C – FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed.

**NOTE D – SUBRECIPIENTS**

There were no subrecipients during the fiscal year.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**



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**Section I-Summary of Auditor's Results - Continued**

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Identification of major programs:

CFDA Number	Federal Program or Cluster
<b>DEPARTMENT OF AGRICULTURE</b>	
10.553	School Breakfast Program
10.555	National School Lunch Program
10.559	Summer Food Service Program for Children
<b>DEPARTMENT OF EDUCATION</b>	
<b>Special Education Cluster</b>	
84.027	Special Education - Grants to States
84.173	Special Education - Preschool Grants

Dollar threshold used to distinguish  
Between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

yes  no

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**Section II – Financial Statement Findings**

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**No matters**

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**Section III – Federal Award Findings and Questioned Costs**

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**No matters**

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

**SCOTT COUNTY SCHOOL DISTRICT**

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

June 30, 2013

There were no prior audit findings.

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

CHRIS R. CARTER, CPA  
SCOTT KISSELBAUGH, CPA  
BRIAN S. WOOSLEY, CPA



## STILES, CARTER & ASSOCIATES, P.S.C.

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MEMBER  
AMERICAN INSTITUTE  
OF CPAs  
KENTUCKY SOCIETY  
OF CPAs

### INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education  
Scott County School District  
Georgetown, 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 requirements prescribed by the Kentucky State Committee for School District Audits in Appendices I and II of the *Independent Auditor's Contract*, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Scott County School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Scott County School District's basic financial statements, and have issued our report thereon dated September 3, 2013.

#### Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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 Scott County School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in the *Independent Auditor's Contract*.

We noted certain matters that we reported to management of Scott County School District in a separate letter dated September 3, 2013.

### **Purpose of this Report**

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



Certified Public Accountants  
Elizabethtown, Kentucky  
September 3, 2013

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

CHRIS R. CARTER, CPA  
SCOTT KISSELBAUGH, CPA  
BRIAN S. WOOSLEY, CPA



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## INDEPENDENT AUDITOR'S REPORT

MEMBER  
AMERICAN INSTITUTE  
OF CPAs  
KENTUCKY SOCIETY  
OF CPAs

Members of the Board of Education  
Scott County School District  
Georgetown, Kentucky

### Report on Compliance for Each Major Federal Program

We have audited Scott County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Scott County School District's major federal programs for the year ended June 30, 2013. Scott 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 Scott 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 requirements prescribed by the Kentucky State Committee for School District Audits in Appendices I and II of the Independent Auditor's Contract. 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 Scott 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 Scott County School District's compliance

## Opinion on Each Major Federal Program

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

## Report on Internal Control Over Compliance

Management of Scott 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 Scott 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 in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Scott 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 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.



Certified Public Accountants  
Elizabethtown, Kentucky  
September 3, 2013

**MANAGEMENT LETTER AND COMMENTS**

CHRIS R. CARTER, CPA  
SCOTT KISSELBAUGH, CPA  
BRIAN S. WOOSLEY, CPA



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Scott County School District  
Georgetown, Kentucky

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

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. Any uncorrected comments from the prior year have been included in the memorandum. A separate report dated September 3, 2013, contains our report on the District's internal control. This letter does not affect our report dated September 3, 2013, on the financial statements of the Scott County School District.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and their implementation is currently being reviewed. 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.

This report is intended solely for the information and use of management, the members of the Scott County Board of Education, others within the District, the Kentucky Department of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Stiles, Carter &amp; Associates".

Certified Public Accountants  
Elizabethtown, Kentucky  
September 3, 2013

## **SCOTT COUNTY SCHOOL DISTRICT**

### COMMENTS

June 30, 2013

### **PRIOR YEAR UNCORRECTED COMMENTS**

#### **SOUTHERN ELEMENTARY SCHOOL**

##### INVENTORY CONTROL

We noted F-SA-5, Inventory Control Worksheet, does not list delivery amounts in field two, Deliveries, for use in the calculation of subtotal A, but we noted check #1351, dated 2/6/13, written to Harcourt Outlines, Inc., to purchase pencils for the pencil machine in the bookstore.

##### MANAGEMENT RESPONSE

District finance personnel have discussed with school management and will implement corrective action by September 30, 2013.

#### **SCOTT COUNTY MIDDLE**

##### NEGATIVE FUND BALANCE

We noted the CBI Program Fund had a negative balance of \$150.11 at the fiscal year's end.

##### MANAGEMENT RESPONSE

District finance personnel have discussed with school management and will implement corrective action by September 30, 2013.

### **CURRENT YEAR COMMENTS**

#### **ELKHORN CROSSING SCHOOL**

##### SEGREGATION OF DUTIES

We noted the school's bookkeeper prints checks, matches invoices to checks and mails checks resulting in a lack of duties being segregated.

##### MANAGEMENT RESPONSE

District finance personnel have discussed with school management and will implement corrective action by September 30, 2013.

##### UNTIMELY DEPOSITS

We noted a deposit of \$2,760.00, dated 8/16/12 with attached F-SA-6, Multiple Receipt Forms, for student lab fees, dated 8/14/12, two days before being deposited. We also noted a deposit of \$1,612.00, dated 2/19/13 with attached F-SA-6, Multiple Receipt Forms of \$1,000.00, dated 2/13/13 and another of \$600.00, dated 2/15/13, for Vex World Competition, four to six days before being deposited.

##### MANAGEMENT RESPONSE

District finance personnel have discussed with school management and will implement corrective action by September 30, 2013.

## **SCOTT COUNTY SCHOOL DISTRICT**

### COMMENTS – CONTINUED

June 30, 2013

#### **GARTH ELEMENTARY**

##### FUNDRAISERS

We noted the F-SA-2B, Fund Raiser Worksheet, for the DC Trip's Coupon Book fundraiser without actual receipts or expenses listed but instead only the actual profit was written in.

##### MANAGEMENT RESPONSE

District finance personnel have discussed with school management and will implement corrective action by September 30, 2013.

#### **ROYAL SPRING MIDDLE SCHOOL**

##### NEGATIVE BALANCES

We noted negative fund balances in the following accounts: Dance Team Fund of \$142.66 and the Community Based Account Fund of \$28.67.

##### MANAGEMENT RESPONSE

District finance personnel have discussed with school management and will implement corrective action by September 30, 2013.

##### INVENTORY CONTROL

We noted form F-SA-5, Inventory Control Worksheet, was not on file for concessions but instead a handwritten list of items with beginning quantities and amounts less ending inventory to arrive at items sold and no reconciliation of subtotal A, beginning inventory plus deliveries and subtotal B, ending inventory plus collections.

##### MANAGEMENT RESPONSE

District finance personnel have discussed with school management and will implement corrective action by September 30, 2013.

#### **SCOTT COUNTY MIDDLE SCHOOL**

##### SEGREGATION OF DUTIES

We noted the school's bookkeeper prints checks and matches invoices to checks, resulting in a lack of duties being segregated.

##### MANAGEMENT RESPONSE

District finance personnel have discussed with school management and will implement corrective action by September 30, 2013.

##### TICKET SALES

We noted the following athletic events with F-SA-1, Report and Requisition of Ticket Sales Forms, without the amount of ticket box change given at the top of the forms or the amount of change returned in the reconciliation at the bottom of the form: a football game held on 9/20/12 and a baseball game held 4/16/13.

##### MANAGEMENT RESPONSE

District finance personnel have discussed with school management and will implement corrective action by September 30, 2013.

## **SCOTT COUNTY SCHOOL DISTRICT**

### COMMENTS – CONTINUED

June 30, 2013

### **SCOTT COUNTY MIDDLE SCHOOL – CONTINUED**

#### **BOOSTER CLUBS**

We noted the Athletic Booster Club did not have an Annual Financial Report or Budget on file.

#### **MANAGEMENT RESPONSE**

District finance personnel have discussed with school management and will implement corrective action by September 30, 2013.

#### **FUNDRAISERS**

We noted the baseball team t-shirt sales fundraiser had F-SA-2B, Fundraiser Worksheet, without total budgeted sales, total receipts or completing the reconciliation at the bottom of the form but instead listed total count of items to be sold, total expenses and a profit total on line 10.

#### **MANAGEMENT RESPONSE**

District finance personnel have discussed with school management and will implement corrective action by September 30, 2013.

### **SCOTT COUNTY HIGH SCHOOL**

#### **PRINCIPAL'S COMBINING BUDGET**

We noted the principal's combining budget with amounts that did not match the individual activity budgets for the following activity funds: Social Studies, Student Council and German Club.

#### **MANAGEMENT RESPONSE**

District finance personnel have discussed with school management and will implement corrective action by September 30, 2013.

#### **MULTIPLE RECEIPT FORM**

We noted a deposit of \$810.00, dated 3/14/13, for the Friends and Family Letters Fundraiser, with an F-SA-6, Multiple Receipt Form, without student signatures or initials but instead was filled out by the Cardinal Challenge sponsor.

#### **MANAGEMENT RESPONSE**

District finance personnel have discussed with school management and will implement corrective action by September 30, 2013.

#### **UNAPPROVED PURCHASES**

We noted check #21057 in the amount of \$2,693.86, written to Wal-Mart with \$225.00 worth of iTunes gift cards, which is against board policy.

#### **MANAGEMENT RESPONSE**

District finance personnel have discussed with school management and will implement corrective action by September 30, 2013.

## **SCOTT COUNTY SCHOOL DISTRICT**

### COMMENTS – CONTINUED

June 30, 2013

### **SCOTT COUNTY HIGH SCHOOL – CONTINUED**

#### AWARD DOCUMENTATION

We noted check #21057 in the amount of \$2,693.86, written to Wal-Mart with \$1,951.92 worth of student incentive awards that were given away without documentation of receipt of the prizes by students.

#### MANAGEMENT RESPONSE

District finance personnel have discussed with school management and will implement corrective action by September 30, 2013.

#### MAGAZINE SALES

We noted the ROTC activity fund sold magazines as a fundraising activity without an approval letter signed by the District's superintendent and the approval letter was not on file with the county clerk which is not in compliance with KRS 367.515, which requires both being completed in order to sell magazines.

#### MANAGEMENT RESPONSE

District finance personnel have discussed with school management and will implement corrective action by September 30, 2013.

### **SOUTHERN ELEMENTARY SCHOOL**

#### SEGREGATION OF DUTIES

We noted the school's bookkeeper prints checks and matches invoices to checks for both the school and after school programs, resulting in a lack of duties being segregated.

#### MANAGEMENT RESPONSE

District finance personnel have discussed with school management and will implement corrective action by September 30, 2013.

#### FUNDRAISERS

We noted the following fundraiser with attached F-SA-2B, Fundraiser Worksheet, without expenses listed but instead had receipts that equaled the total profit field: Art Club Christmas Cards.

#### MANAGEMENT RESPONSE

District finance personnel have discussed with school management and will implement corrective action by September 30, 2013.

### **WESTERN ELEMENTARY**

#### SEGREGATION OF DUTIES

We noted the school's bookkeeper prints checks, matches invoices to checks and mail checks, resulting in a lack of duties being segregated.

#### MANAGEMENT RESPONSE

District finance personnel have discussed with school management and will implement corrective action by September 30, 2013.